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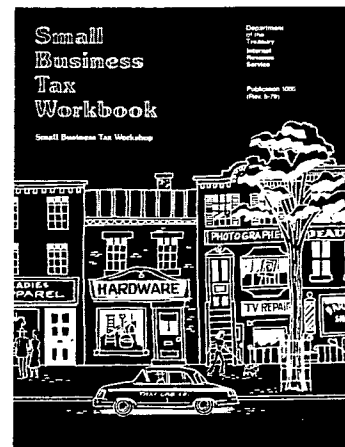
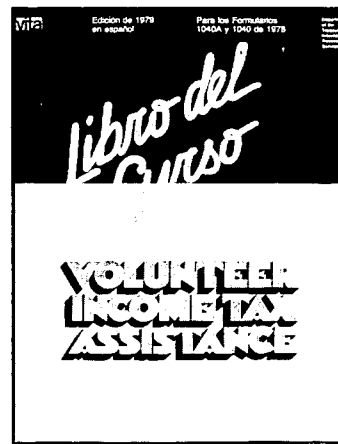
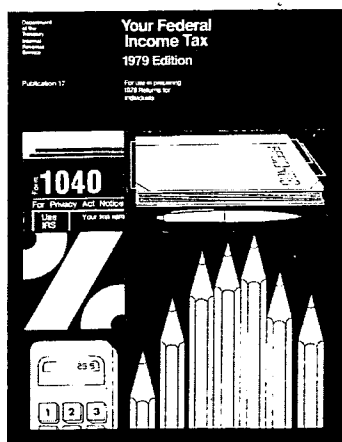
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Annual

Report

Commissioner of  
Internal Revenue



The cover shows some of the many free publications produced by the Internal Revenue Service to explain the tax law and to make it easier for taxpayers to fill out their returns.

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## 1979 Annual Report

Commissioner of  
Internal Revenue

### Contents

#### Introduction / 2

#### Collecting the Revenue

Returns Received / 4  
Mathematical Correction / 4  
Tax Receipts / 6  
Refunds / 6  
Penalties / 9  
Tax Credits / 9  
Presidential Election Campaign Fund / 9  
Automated Information Filing / 9  
Combined Annual Wage Reporting / 10

#### Assisting the Taxpayer

Write, Call or Walk-In / 11  
Toll-Free Telephone Assistance / 11  
Walk-In Service / 11  
Educating Taxpayers / 12  
Simplifying the Forms / 12  
Publications / 13  
Informing Taxpayers / 13  
Resolving Problems / 13  
Making Information Available / 13  
Helping Other Countries / 14

Department  
of the  
Treasury  
Internal  
Revenue  
Service  
Publication 55

#### Enforcing the Law

Examinations / 15  
Tax Return Classes / 15  
Classification / 15  
Examination Results / 15  
Service Center Program / 17  
Coordinated Examination Program / 17  
Computer Assisted Examinations / 17  
Estimates of Unreported Income / 17  
Tax Shelters / 17  
Return Preparers / 18  
Quality Control / 18  
Simultaneous Examination / 18  
International Enforcement Program / 18  
Enrolled Agents / 18  
Appeals / 19  
Results / 19  
Criminal Investigation / 20  
Results of Operations / 20  
Collection / 21  
Trust Fund Taxes / 22  
Delinquent Returns / 22  
Child Support Obligations / 22  
Offers in Compromise / 22  
International Operations / 23  
Treaties / 24  
Employee Plans/Exempt Organizations / 24

#### Managing the System

Planning and Research / 26  
Research Efforts / 26  
Taxpayer Compliance  
Measurement Program / 26  
Productivity / 27  
Publishing Statistics / 27  
Tax Models / 27  
Projecting Returns Filed / 27  
Legislative Activities / 28  
Resources Management / 28  
Centralized Services / 28  
Labor-Management Relations / 28  
Paraprofessional Positions / 28  
Awards for Incentive / 29  
Jobs for the Handicapped / 29  
Training / 29  
Logistics Support / 30  
Equal Employment Opportunity / 30  
Data Services / 31  
National Computer Center / 31  
Data Center / 31  
Technical Activities / 32  
Updated Procedure / 32  
Internal Revenue Bulletin / 32  
Making Rulings Public / 32  
Inspection / 33  
Internal Audit / 33  
Internal Security / 34  
Bribery Awareness / 34  
Assaults and Threats / 34  
Checking the Workforce / 34  
Chief Counsel / 35  
Administrative Services / 35  
Criminal Tax / 35  
Disclosure Litigation / 36  
EP/EO / 36  
General Legal Services / 37  
General Litigation / 38  
Interpretative / 38  
Legislation and Regulations / 38  
Tax Litigation / 40

#### Appendix / 43

# Introduction

This year I'm pleased to report that a number of organizational changes have been implemented and appear to be accomplishing the intended goals. The changes were undertaken last year to implement recommendations made in a study conducted by senior IRS career executives.

The change most directly affecting taxpayers was the modification of our administrative appeals procedure by consolidating the former two levels of appeal into a single appeal structure at the regional level. This system is now fully in effect and is resulting in the more expeditious handling of controversies at less expense to both taxpayers and the IRS. We continue to hold appeals conferences at all locations where district conferences were formerly held with the result that taxpayers have conveniently available to them a regional appeals officer with full settlement authority.

We believe the change in settlement procedures of docketed Tax Court cases is working effectively to utilize our resources better and to provide a more orderly procedure for handling the increasing volume of docketed cases.

The streamlining of our smallest districts has been accomplished smoothly. We are realizing savings at no loss of service to taxpayers. Separating functions involving service to the public from those involving compliance has increased our emphasis on taxpayer service as well as permitted better integration of our collection activities with related compliance functions.

Notwithstanding our increased emphasis on taxpayer problems, it seems clear that some of these will continue to "slip through the cracks." If this occurs in even a very small percentage of the huge number of matters we handle the number of such cases will be large. To address this problem we instituted our problem resolution program (PRP) on an experimental basis in 1977 to provide a separate function to handle persistent taxpayer problems — those not satisfactorily resolved through normal channels. PRP is now fully operational in all of our 58 districts and 10 service centers with problem resolution officers who have the ability and know-how to cut through red tape quickly on behalf of taxpayers. About 72,000 taxpayer problems were successfully resolved through this pro-

cedure in 1978 and a number of systems changes identified by this program have been made to improve IRS efficiency and responsiveness.

A sample followup with taxpayers whose problems were handled through PRP found a high degree of satisfaction, but I will not be satisfied as long as some taxpayer complaints and problems persist. Therefore, as the year ended we were planning to set up an ombudsman-like position in my immediate office to have broad authority over PRP and to serve as an advocate for taxpayers.

Our forms and instructions are a matter of continuing concern. The challenge of presenting and explaining a complex law in an understandable way is formidable and we devote substantial effort to this problem. In addition to our normal work in this area we have formed a high-level task force to consider longer-range possibilities. We have engaged a private firm to review all the individual tax return forms, schedules and instructions and to make recommendations for redesign and rewriting. This effort should be completed in the fall of 1980 when we will start evaluating and testing any recommended alternatives.

While it is important that we constantly look for ways of simplifying the burden of reporting, frequent changes should be avoided. There is great value in taxpayers' familiarity with our forms. I'm, therefore, pleased that the 1979 forms follow the 1978 forms except for a few changes required by new legislation.

There is no doubt that better taxpayer assistance, more sensitive responsiveness to taxpayer complaints and problems and simpler tax forms and instructions are of great importance in achieving a high level of voluntary compliance with our tax laws. But our enforcement efforts also are crucial. Any significant noncompliance is a matter of deep concern to the IRS, Congress and the taxpaying public. Beyond the tax revenues lost when income is not reported is the basic question of fairness to taxpayers who voluntarily obey the laws.

Since the mid-Sixties the IRS has regularly measured compliance on filed returns through its taxpayer compliance measurement program (TCMP). As an adjunct to our audit program, TCMP is an effective tool to measure the unreported income detectable by normal audit procedures and to develop the

computer formulae used to identify returns for audit. It does not, however, measure the unreported income of those who fail to file returns nor certain types of income not readily detectable by normal audit procedures, such as income from illegal sources.

In 1978 I appointed a study group to prepare estimates of unreported income. The group's report, "*Estimates of Income Unreported on Individual Income Tax Returns*," was released in August 1979. This report, using data for the 1976 tax year, marks our first effort to measure unreported individual income.

The report estimates that individuals failed to report \$75 billion to \$100 billion in income from legal activities, with a resulting revenue loss of \$13 billion to \$17 billion. Unreported income from certain illegal sources — narcotics, illegal gambling and prostitution — was estimated to be between \$25 billion and \$35 billion, and cost the government approximately \$6 billion to \$9 billion in lost tax revenues.

To put these figures in context, in the same tax year individuals voluntarily reported nearly \$1.1 trillion in income and paid a total of \$142 billion in income taxes.

The report lends considerable weight to conclusions drawn from past TCMP studies that voluntary reporting is highest when incomes are subject to tax withholding. Incomes subject to information reporting show a lower compliance level but still much higher than incomes subject to neither withholding nor information reporting.

In fairness to the millions of taxpayers who voluntarily file, report all their income and pay the tax due, we must strengthen current compliance efforts and, where called for, plan innovative actions to find and tax unreported income.

A Treasury legislative proposal, currently under consideration by Congress, to withhold taxes from certain independent contractors would be a major step in dealing with one area of low compliance.

Our program to match information documents filed by payers of wages, dividends, interest and certain other payments with income tax returns has become an increasingly important tool to identify cases of underreporting of income and nonfiling of returns. The number of documents matched has been increasing substantially and with the full

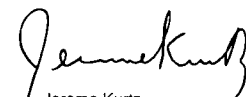
implementation of the combined annual wage reporting system will reach 400 million or about 80 percent of the total filed.

Our document matching activity has been separate from our examination program and has not affected the selection of returns for audit or their actual audit. However, in the next filing season, a printout of the information documents processed will be associated with returns selected for the examination program so that the information will be available to tax return classifiers and to return examiners. Since these documents will also be used during TCMP audits, the accuracy of the results of that program should also be improved.

In last year's report I noted our increasing concern about the use of abusive tax shelters — those which take positions beyond a reasonable interpretation of the law — and our increased audit effort in this area. As a result of that effort we have, at various stages of the examination and appeals process, about 200,000 tax returns involving about \$4.5 billion of questionable deductions. This program requires a substantial commitment of resources but it is a commitment we will continue to make, and even increase if necessary. The great abuse we are finding in this area, if allowed to continue unchecked, could result in a serious decline in taxpayers' perception of the fairness and evenhandedness of our administration of the tax system and consequently in their voluntary compliance.

Many abusive tax shelters depend for their successful marketing on the participation of professional tax advisors. We intend to continue an exploration, begun this year, into the ethical and legal standards that should govern such participation.

Tax administration today calls for us to increase our abilities to serve the majority of taxpayers who comply with the law. A crucial aspect of this service is to enforce the law vigorously against the few who attempt to subvert it. We believe this year's report reflects that commitment.



Jerome Kurtz  
Commissioner of Internal Revenue

# Collecting the Revenue

## Returns Received

The IRS received 140.2 million tax returns of all types in 1979 compared to 136.6 million in 1978.

**Number of returns filed, by principal type of return**  
(Figures in thousands. For details, see Statistical Table 7.)

Type of Return	1978	1979
<b>Grand Total</b>	<b>*136,635</b>	<b>140,174</b>
<b>Income Tax, Total</b>	<b>*100,794</b>	<b>104,933</b>
Individual	*87,405	90,827
Declaration of estimated tax	8,103	8,425
Fiduciary	1,732	1,804
Partnership	1,205	1,353
Corporation	2,349	2,524
<b>Estate Tax</b>	<b>160</b>	<b>159</b>
<b>Gift Tax</b>	<b>195</b>	<b>202</b>
<b>Employment Tax</b>	<b>25,541</b>	<b>26,219</b>
<b>Exempt Organization</b>	<b>*410</b>	<b>450</b>
<b>Employee Plans</b>	<b>*1,231</b>	<b>1,214</b>
<b>Alcohol, Tobacco and Firearms</b>	<b>*560</b>	<b>539</b>
<b>Excise Tax</b>	<b>908</b>	<b>1,013</b>
<b>Supplemental Documents *</b>	<b>*6,836</b>	<b>5,445</b>

\*Data revised from previous annual report.  
\* Includes Forms 1040X, 1120X, 2688, 4868, 7004, Tent. 1120L & M, 7005, 990AR, 4578, 5300 series, 5329, 1041A and 2438.

The number of Forms 1040 and 1040A received in 1979 was 90.8 million compared with 87.4 million in 1978. Forms 1040 received totaled 54.6 million, 2.5 percent more than the 53.2 million received last year. More than 36.1 million individual taxpayers — 40 percent of all individual filers — used the short Form 1040A compared to 34 million in 1978, an increase of 6.1 percent.

## Mathematical Correction

As a result of checking the mathematics on 90.6 million individual returns, 2 million taxpayers were found to have overstated their tax liabilities by \$357 million, an average of \$159 per return. On 3.8 million returns, taxpayers had understated their tax liability by \$906 million with an average of \$241.

Error rates for both the Form 1040 and 1040A rose slightly in 1979, with 5.5 percent of the 1040A's processed having mathematical errors compared to 5.1 percent for 1978. The error rate for Forms 1040 was 7.3 percent in 1979 as compared to 6.5 percent for 1978.

The IRS also checked the amounts claimed for estimated tax payments and found that taxpayers underclaimed \$333 million and overclaimed \$661 million.

## Individual Income Tax Returns Mathematically Verified (In Thousands)

	1978	1979
<b>Number verified by computer</b>	<b>83,915</b>	<b>*87,382</b>
Number of returns on which mathematical errors were detected	5,404	6,003
Percent of returns with mathematical errors	6.4	6.9
<b>Returns with increase:</b>		
Number	3,371	3,755
Amount	791,363	905,624
Average amount (dollars)	234.76	241.16
<b>Returns with decrease:</b>		
Number	2,033	2,249
Amount	309,155	357,351
Average amount (dollars)	152.04	158.92

\* Not including 3,175,000 verified by other means.

## Gross Internal Revenue Collections

(In thousands of dollars. For details see Statistical Table 1)

Source	Percent of 1979 Collections	Increase or Decrease			
		1978	1979	Amount	Percent
<b>Grand total <sup>1</sup></b>	<b>100.0</b>	<b>399,776,389</b>	<b>460,412,185</b>	<b>60,635,796</b>	<b>15.2</b>
<b>Income taxes, total</b>	<b>70.2</b>	<b>278,438,289</b>	<b>322,993,733</b>	<b>44,555,444</b>	<b>16.0</b>
Corporation	15.5	65,380,145	71,447,876	6,067,731	9.3
Individual, total	54.6	*213,058,144	*251,545,857	38,487,713	18.1
Withheld by employers <sup>2</sup>	42.4	165,254,230	195,331,016	30,076,786	18.2
Other <sup>2</sup>	12.2	47,803,913	56,214,840	8,410,927	17.6
<b>Employment taxes, total</b>	<b>24.5</b>	<b>97,291,653</b>	<b>112,849,874</b>	<b>15,558,221</b>	<b>16.0</b>
Old-age, survivors, disability, and hospital insurance, total	23.4	92,630,407	107,525,982	14,895,575	16.1
Federal insurance contributions	22.3	88,362,950	102,492,463	14,129,513	16.0
Self-employment insurance contributions	1.1	4,267,457	5,033,519	766,062	18.0
Unemployment insurance	0.6	2,642,014	2,958,000	315,986	12.0
Railroad retirement	0.5	2,019,231	2,365,893	346,662	17.2
<b>Estate and gift taxes</b>	<b>1.2</b>	<b>5,381,499</b>	<b>5,519,074</b>	<b>137,575</b>	<b>2.6</b>
<b>Excise taxes, total</b>	<b>4.1</b>	<b>18,664,949</b>	<b>19,049,504</b>	<b>384,555</b>	<b>2.1</b>
Alcohol	1.2	5,612,715	5,647,924	35,212	0.6
Tobacco	0.5	2,450,913	2,495,517	44,604	1.8
Other	2.4	10,601,321	10,906,063	304,742	2.9

<sup>1</sup> Collections are adjusted to exclude amounts transferred to the Government of Guam.

<sup>2</sup> Estimated Collections of individual income tax withheld are not reported separately from old-age, survivors, disability and hospital insurance (OASDHI) taxes on wages and salaries. Similarly, collections of individual income tax not withheld are combined with OASDHI taxes on self-employment income. The amount of OASDHI tax collections shown is based on estimates made by the Secretary

of the Treasury pursuant to the provisions of sec. 201(a) of the Social Security Act as amended, and includes all OASDHI taxes. The estimates shown for the two categories of individual income taxes were derived by subtracting the OASDHI tax estimates from the combined totals reported.

<sup>3</sup> Includes Presidential Election Fund amounting to \$39,077,131.

\* Includes Presidential Election Fund amounting to \$35,933,816.

### Net Internal Revenue Collections

(In thousands of dollars)

Source	Gross Collections	Refunds <sup>1</sup>	Net Collections	
			Amount	Percent of Total
<b>Grand total</b>	<b>460,412,185</b>	<b>41,350,806</b>	<b>419,061,379</b>	<b>100.0</b>
Corporation income taxes	71,447,876	5,771,288	65,676,588	15.7
Individual income taxes	251,545,857	34,478,116	217,067,741	51.7
Employment taxes, total	112,849,874	687,893	112,161,981	26.8
Old-age, survivors, disability and hospital insurance	107,525,982	636,435	106,889,547	25.5
Railroad retirement	2,365,893	418	2,365,475	0.6
Unemployment insurance	2,958,000	51,040	2,906,960	0.7
Estate and gift taxes	5,519,074	108,534	5,410,540	1.3
Excise taxes	19,049,504	304,975	18,744,529	4.5

<sup>1</sup> Does not include interest paid on refunds. In the narrative, the total refund figure of \$41.7 billion includes \$358,783,914 interest.

### Tax Receipts

Gross tax receipts in 1979 rose to \$460.4 billion, up \$60.6 billion over 1978 for a 15.2 percent increase. This gain was larger than the previous record \$47.3 billion rise between 1976 and 1977.

Income taxes accounted for over two thirds of all tax receipts. Individual income taxes totaled \$251.5 billion, an increase of \$38.5 billion or 18.1 percent over the previous year, while corporation income tax receipts were \$71.4 billion, up by \$6.1 billion, or 9.3 percent. Major factors in this increase were higher personal income and higher corporate profits.

Employment taxes consisting of social security, self employment, federal unemployment and railroad retirement were \$112.8 billion. This rise of \$15.6 billion over 1978, 16 percent, reflected increases in the social security tax rate and wage base.

Excise tax revenue rose to 19 billion, up \$0.4 billion, or 2.1 percent over last year. These collections increased despite the continued phasing out of the telephone tax and changes made by the Energy Tax Act of 1978, including eliminating the excise tax on buses and the exemption from tax of gasoline and refined lubricating oil.

Estate and gift taxes, the smallest source of revenue, advanced slightly by \$143 million — 2.6 percent — on collections of \$5.5 billion for 1979.

### Refunds

The IRS paid total refunds of \$41.7 billion to 69 million taxpayers including 3.8 million checks totaling \$773 million for taxpayers who claimed the earned income credit. Last year 69 million refunds totaling \$39.6 billion were paid. Refunds to individual filers, Forms 1040 and 1040A, were \$34.9 billion, averaging \$518 compared to \$495 in 1978.

### Flow of Returns Filed and Refunds Issued

Individual Income Tax\*

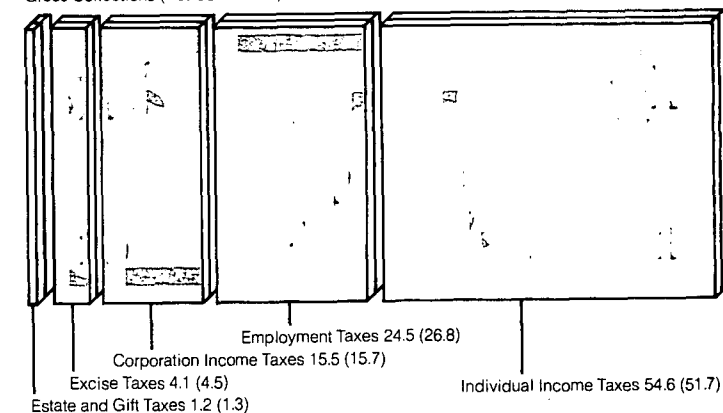
(Cumulative number in thousands)

1978	Jan	Feb	Mar	Apr	May	June
<b>Returns Filed</b>						
Number	10,983	36,754	53,375	82,589	85,164	86,346
Percent	12.7	42.6	61.8	95.6	98.6	100
<b>Refunds Issued</b>						
Number	1,636	14,685	35,489	51,535	63,085	64,357
Percent	2.5	22.8	55.1	80.1	98.0	100
<b>1979</b>						
<b>Returns Filed</b>						
Number	9,758	35,842	53,259	85,132	88,051	89,232
Percent	10.9	40.2	59.7	95.4	98.7	100
<b>Refunds Issued</b>						
Number	1,399	13,139	34,074	50,279	62,761	64,307
Percent	2.2	20.4	53.0	78.2	97.6	100

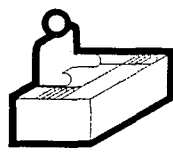
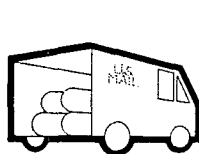
\* Returns processed by National Computer Center and refunds scheduled for issuance by Regional Disbursing Centers.

### The Tax Dollar Where It Came From

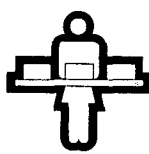
Gross Collections (Net Collections)



## Pipeline At the ten Regional Service Centers



Envelopes are opened and counted.



Returns are sorted by type of return.



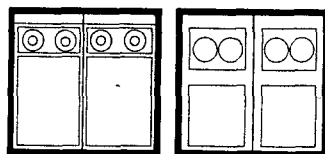
Tax returns and accompanying checks are compared.



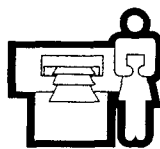
Returns are edited and coded for computer processing.



Tax return information is fed into the computer.



IRS computers perform validity checks on tax returns.



Refund checks are printed by Treasury Department Disbursing Center.

Once a tax return reaches one of ten IRS Service Centers, it travels through a series of processing steps known as "the pipeline." While many parts of the pipeline

shown here are automated for faster processing and faster refunds, people are involved every step of the way.

## Penalties

Under law the IRS levies penalties such as those for failure to pay, paying with bad checks, late filing, negligence and fraud. In 1979, the IRS assessed 21 million penalties of \$1.8 billion. For details, see Statistical Table 14.

## Tax Credits

Child care expense credits are available to working parents meeting certain requirements. This year \$0.7 billion in child care credits were claimed on 3.4 million returns.

Earned income credits (EIC) are offered to low-income taxpayers who maintain a home for themselves and at least one dependent. EIC of \$1 billion was claimed by 5.2 million taxpayers. Legislation in 1978 provided for advance payment of the earned income credit beginning in 1979. These data will be available when 1979 tax returns are processed in 1980.

Employers claimed \$1.4 billion on 747,000 returns for the new-jobs credit in 1979. This credit was replaced in 1979 by the targeted jobs tax credit designed to encourage employment of specific groups.

The Energy Tax Act of 1978 allows taxpayers a credit for energy conservation and renewable energy source expenditures made on their residences. This year taxpayers claimed \$593 million in credits on 5.8 million returns.

## Presidential Election Campaign Fund

This year 23.2 million individual income tax returns had designations for the Presidential Election Campaign Fund — 25.8 percent of the returns processed. Designations amounted to \$35.9 million compared to \$39.1 million designated in 1978 on 24.9 million individual tax returns, or 28.9 percent of those processed. The cumulative amount credited to the fund since it was initiated in 1972 is \$207.4 million.

## Automated Information Filing

The IRS received over 327 million information returns from businesses and organizations required to report wages, interest, dividends and other payments of which over 264 million were submitted on magnetic media.

Most information returns received on magnetic media and approximately 15 percent of those submitted on paper will be matched against files to verify such amounts taxpayers reported on their returns.

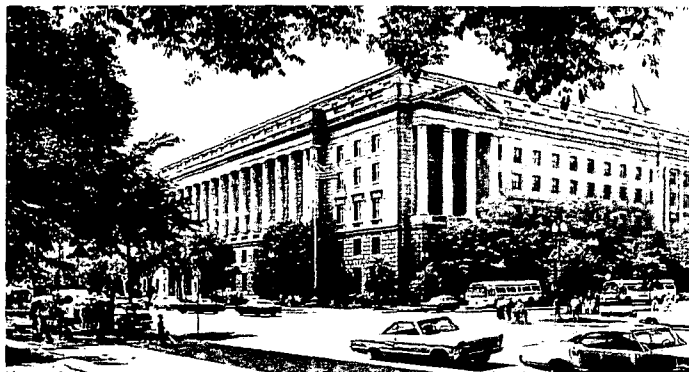
The accompanying table shows the number of organizations reporting on magnetic media over the past decade.

## Information Returns Reported on Magnetic Media

Tax Year	Documents (thousands)	Reporting Entities
1967	36,492	1,048
1968	47,686	2,426
1969	58,951	2,963
1970	68,300	4,637
1971	91,449	8,504
1972	115,008	12,758
1973	144,533	13,128
1974*	185,554	21,862
1975*	216,839	32,486
1976*	248,106	35,013
1977*	275,423	39,980
1978*	264,423	38,417

\*Data revised from previous annual report.

\* Calendar year data. Data for 1973 and prior covers the 6 month period January through June.  
Note: For 1978 and subsequent years the volumes shown do not include Forms W-2 and W-2P processed by the Social Security Administration under the combined annual wage reporting system.



### Combined Annual Wage Reporting

Combined annual wage reporting (CAWR) is a system developed to reduce the reporting burden for employers. This system, satisfying the reporting requirements of both the IRS and the Social Security Administration (SSA), became effective for all wages paid after Dec. 31, 1977. Under CAWR, Schedule A, which required a detailed listing of employee information, is no longer filed with employment tax Forms 941 and 943 and the Form W-2

was redesigned to include the Federal Insurance Contributions Act (FICA) information formerly filed on Schedule A. The Forms W-2 are filed with the SSA, which processes the information and supplies it to the IRS.

By eliminating Schedule A, the President's Advisory Council on Paperwork Reduction estimated an annual savings to employers of \$235 million.

In 1979 an estimated 170 million Forms W-2 were filed with SSA for the first time.

## Assisting the Taxpayer

### Write, Call or Walk-In

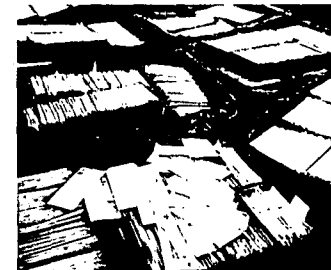
The IRS provides year-round assistance through correspondence, telephone inquiries and personal contacts, to give taxpayers information about the tax system, their rights and obligations under it and the tax benefits available to them.

This year the IRS received about 96,000 written, 33 million telephone and 8 million walk-in inquiries. More than 60 percent of the inquiries occurred from January 1 through April 27, 1979 — over 19 million phone calls, more than 5 million walk-in inquiries, and over 35,000 items of correspondence, totaling over 24 million requests for assistance. A quality check of 300,000 telephone responses and returns prepared by IRS assistants during the filing period indicated an overall national accuracy rate of almost 97 percent.

### Toll-Free Telephone Assistance

With the toll-free telephone system, taxpayers anywhere in the United States can call IRS numbers listed in the tax form packages for information without paying a long distance charge. Over 97 percent — 18.7 million — of the telephone calls received during the 1979 tax return filing period were on the toll-free system.

Teletypewriter equipment with a nationwide toll-free number, except for Alaska and



Hawaii, gives hearing-impaired taxpayers access to telephone assistance.

### Walk-In Service

Walk-in taxpayer assistance was offered in the inner city, business districts and suburban and rural areas at 710 permanent offices and at 147 temporary offices set up for the filing period. In addition over 35,000 banks and Postal Service locations helped distribute more than 273 million tax forms and instructions.

When possible, hours of service at IRS offices were extended for taxpayers who could not call or visit during normal business hours. Based on a General Accounting Office (GAO) survey taken in January and February,



80 percent of the taxpayers had to wait less than fifteen minutes for assistance.

The IRS provided foreign language assistance at 218 of its 857 taxpayer service offices. Spanish assistance was offered by 582 employees, while 446 assisted in other foreign languages. Bilingual taxpayer assistance also was provided through a special form, that translated from Spanish, French, Portuguese, Chinese and Vietnamese into English the information necessary for IRS employees to prepare returns.

### Educating Taxpayers

For the past several years, the IRS has sponsored programs to educate the public about the tax system. Programs are also available to train volunteers who assist others in preparing returns.

The IRS sponsored classes for over 39,000 individuals and small business owners. More than 5 million student publications were provided free to high schools and colleges through the *Understanding Taxes and Fundamentals of Tax Preparation* programs. IRS district employees have met with high school officials throughout the country to encourage the use of *Understanding Taxes* particularly in consumer awareness classes.



Through the volunteer income tax assistance (VITA) program, the IRS recruits, trains and supports volunteers who offer free tax assistance to low income, elderly, military and non-English speaking taxpayers. Approximately 41,000 volunteers participated this year and more than 300,000 federal income tax returns were prepared.

### Simplifying the Forms

A high-level task force to improve tax forms was set up under the direction of the Commissioner, Deputy Commissioner and four Assistant Commissioners. A contract was also awarded to an outside firm to revise and test Forms 1040, 1040A and related schedules to make recommendations for further simplification as mandated by the Revenue Act of 1978.



Volunteers in Pittsburgh, Indianapolis and St. Paul tested the 1979 individual income tax forms and related schedules. These volunteers — of different income levels, educational backgrounds, ages and occupations — were recruited through radio, television, newspaper announcements and organizations, such as the Chamber of Commerce, League of Women Voters and senior citizens groups. The IRS adopted many suggestions and recommendations for improvement in the forms and instructions. For the first time computerized readability studies were used to identify portions of the tax forms instructions that could be made easier to read.

### Publications

The IRS distributed many taxpayer information publications free of charge including 3.1 million copies of *Your Federal Income Tax*, 1.4 million copies of the *Tax Guide for Small Business*, 840,000 copies of the *Farmer's Tax Guide*, and 126,000 copies of the *Tax Guide for Commercial Fishermen*. Additional tax materials were furnished to more than 7.5 million individual taxpayers, 625,000 tax practitioners and 560,000 employers. IRS also publishes more than 80 booklets — three in Spanish — on specific tax topics.

### Informing Taxpayers

The IRS issued more than 7,000 news releases and answered nearly 20,000 media inquiries. The three major television networks and many radio and television stations, daily and weekly newspapers, magazines and specialized publications were furnished taxpayer information materials.

A specialized media program provides tax information to the public through publications issued by trade, professional, service and fraternal organizations. Federal agencies such as the Small Business Administration and the Office of Minority Business Enterprise assisted the IRS in distributing this information. The earned income credit, IRS assistance for the hearing impaired, taxpayer education and small business programs were publicized through specialized media.

IRS employees participated in a television "Tax Clinic" broadcast over public television stations in 38 states during which viewers could call their local IRS offices for answers to tax questions.

Three half-hour IRS films provided information on the American tax system, examination and appeal rights and the tax responsibilities of running a small business. These films, two of which were also released in Spanish, appeared on TV across the nation, and before trade, civic, educational and other groups.

The IRS provided special information to persons considered eligible for the earned income credit (EIC) with the continued cooperation of the Departments of Health, Education and Welfare, Agriculture and Labor. Additionally, the IRS sent notices to individuals who didn't claim the EIC although they appeared

to be qualified according to their tax return information. As a result of the notices 380,000 additional taxpayers received the EIC.



### Resolving Problems

The IRS' problem resolution program (PRP) attempts to resolve taxpayers' complaints not satisfied through regular channels. Each IRS district has a problem resolution officer who, as a member of the director's staff is independent from the operating divisions. The most common types of problems handled by PRP are complaints about not receiving refunds and about erroneous bills.

During 1979, PRP helped resolve approximately 72,000 taxpayer problems.

### Making Information Available

During 1978, disclosure officers and specialists processing requests for access to records under the Freedom of Information (FOI) Act in district offices and service centers, granted 4,264 in full, 1,016 in part and denied 382 in full. The National Office FOI reading room serviced about 25,000 requests to copy or inspect records. This level of service, which is a 45 percent increase over the prior year, was due primarily to the release of private letter rulings edited to protect the identity of taxpayers to whom they were originally issued.

Under the Privacy Act of 1974 individuals made 510 requests for access to records about themselves and 19 requests to amend or correct these records. The IRS permitted full access in 355 of these requests and 83 were granted partial access.



This year, pursuant to the provisions of the *Internal Revenue Code*, 4,648 disclosures of tax information were made to the Department of Justice, 132,213 to child support enforcement agencies and approximately 73 million to state tax agencies.

By law the IRS must maintain the confidentiality of tax returns and return information except in those specific circumstances where disclosure is authorized. This year the IRS developed security guidelines for federal agencies entitled to receive information and improved recordkeeping and reporting requirements for the disclosure of tax information.

The exchange of confidential information with states is intended to increase tax revenues, reduce duplicate audits and increase taxpayer compliance. Federal tax information received by the states may be disclosed only to state agencies charged with administering state tax laws and only upon the request of the head of that agency. Disclosure officers annually visit each state tax agency to check on procedures used to safeguard return information. Each year IRS enters into an agreement with states that identify the types of information to be regularly exchanged and limits the exchanged information to that needed and used. There are now 93 federal-state agreements in effect.

### Helping Other Countries

In 1963 the IRS in cooperation with the Agency for International Development (AID) began a program to assist foreign governments in modernizing their tax administration systems. Since the program started almost 5,350 visitors from 130 countries have visited the IRS for orientation and observation programs and this year 342 officials from 59 countries participated. IRS advisers have been assigned to thirty seven countries, the Caribbean Community and the Central American Secretariat for Economic Integration.

This year long-term programs were initiated in Egypt, El Salvador and Sierra Leone, with



continuing programs in Liberia, the Northern Mariana Islands and the Trust Territory of the Pacific Islands. Special short-term assistance was provided to Jordan. There were frequent visits between Canadian National Revenue and IRS officials to discuss compliance, management and other topics of mutual interest.

The IRS participated in the 26-member-country Inter-American Center of Tax Administrators (CIAT) thirteenth General Assembly in Quito, Ecuador, in May 1979 where the Deputy Commissioner made a presentation on "How to Measure the Effectiveness of Tax Administration." In February 1979 the Assistant Commissioner for Taxpayer Service and Returns Processing presented a paper, "Safeguarding ADP Files and Protecting Taxpayer Privacy," at the CIAT ADP conference held in Mexico City. Through CIAT the IRS has helped the government of Trinidad and Tobago conduct an ADP feasibility study. The Commissioner will serve as a member of the CIAT Executive Council for 1980.

# Enforcing the Law

## Examinations

The IRS examines returns to help ensure a high degree of voluntary compliance. The discriminant function (DIF) system is a computer method used to select individual returns for examination using mathematical formulae for each class of return to measure the probability of error. Returns selected by DIF are screened manually before being assigned for examination.

Returns may also be selected at random for examination under the taxpayer compliance measurement program (TCMP), to provide a statistical sample of all classes of individual returns. Examinations under this program are more intensive because the results are used to develop measurements of compliance and to update DIF formulae. Compliance measurement is an important factor in determining examination coverage of different classes of taxpayers.

Some returns are selected through manual review or because of a related examination. For example, if the IRS examines a partnership return the returns of partners may be audited. Returns of shareholders and executives may be examined with the audit of their corporation. Other returns may be selected based on information documents filed by payers of wages, dividends and interest. The IRS also screens returns with adjusted gross income above certain levels and amended returns of taxpayers.

## Tax Return Classes

During 1978, IRS conducted a study to determine whether the class structure using adjusted gross income (AGI) to group individual returns could be improved. Classes are used for DIF scoring, planning workload and staffing and monitoring results of examinations. The study group recommended new classes to group returns for better use of IRS examination resources. Total positive income (TPI) — the sum of all positive income values appearing on the return, such as wages, dividends, interest, rents and other income items, with losses and other negative items treated as zero — will be used to class non-business returns and total gross receipts (TGR) to class business returns beginning with the 1979 individual returns filed in 1980.

## Classification

The classification program includes the manual screening of DIF returns and the classification of other returns to identify for examination those returns having the highest potential of error. In 1979 the IRS approved centralized classification at the service centers instead of in district offices. This change will be implemented at all service centers by the end of 1980.

## Examination Results

The IRS examined 2,273,603 tax returns of all types in 1979. Of those 199,907 returns were examined in service centers, compared to 169,390 last year, an increase of 18 percent. The remainder were examined in district offices by revenue agents and tax auditors.

Revenue agents examined 679,302 returns at the taxpayer's residence or place of business, a decrease of 48,951 returns or 7 percent from last year. Tax auditors examined 1,394,394 under office audit procedures, a decrease of 36,775 returns or 3 percent from last year.

Examination coverage of income, estate and gift tax returns was 2.24 percent compared to 2.29 percent in 1978.

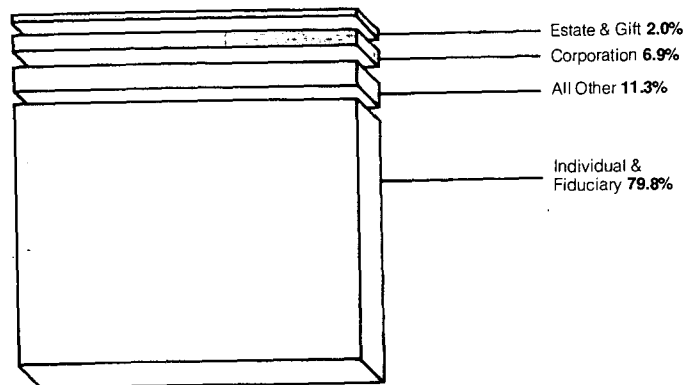
The IRS examination program resulted in \$7.2 billion in recommended additional tax and penalties, of which individual returns accounted for \$2.0 billion, fiduciary returns for \$104.9 million, corporate returns for \$4.2 billion and estate and gift tax returns, \$683 million. The examination of employment and excise tax returns resulted in the remaining \$161 million.

This year IRS examinations also disclosed overassessments on 133,059 returns resulting in refunds of \$328 million compared to 132,600 returns with refunds of \$312 million in 1978.

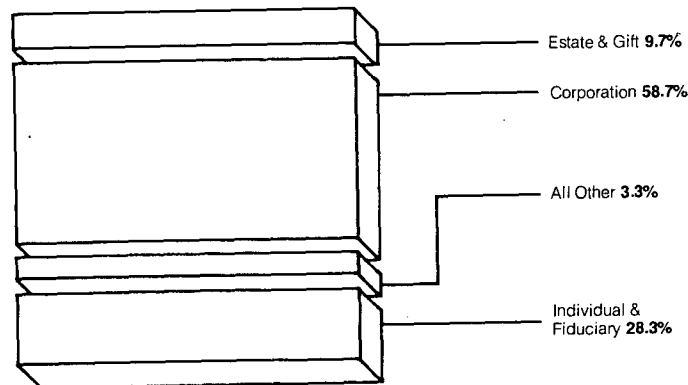
Statistical Table 8 shows examination activity for 1979.

# Revenue Agents and Tax Auditors (District Examination Divisions)

## Percent of Returns Examined By Type of Tax



## Percent of Dollar Recommendations (Millions) By Type of Tax



## Service Center Program

The IRS service center examination and correction program resolves or verifies issues that can be handled through correspondence with the taxpayer. In 1979, 696,341 returns were examined or corrected compared to 663,173 in 1978, a 5 percent increase.

## Coordinated Examination Program

The coordinated examination program (CEP) covers financial institutions and utilities whose gross assets exceed \$1 billion and other corporations whose gross assets exceed \$250 million.

Since coordinated examinations involve complex accounting systems the IRS uses teams of revenue agents, economists, computer specialists, engineer agents, international and excise tax examiners and employee plans specialists.

At the end of the year, over 1,300 corporations were in this program.

## Computer Assisted Examinations

Computer programs reduce the cost of investigations, examinations and compliance projects since computer procedures take a fraction of the time to do the same job manually.

IRS has a staff of about 150 audit specialists trained in computer systems, hardware, program languages and examination techniques.



## Estimates of Unreported Income

In August the IRS issued a report on "Estimates of Income Unreported on Individual Income Tax Returns." The study estimated that individuals did not report \$75 billion to \$100 billion of income for tax year 1976 from legal activities, resulting in a revenue loss of approximately \$13 billion to \$17 billion. In addition, individuals engaged in illicit drug sales, illegal gambling and prostitution are estimated to have failed to report \$25 billion to \$35 billion of earnings on which the revenue loss may range from \$6 billion to \$9 billion.

The IRS is engaged in a number of compliance efforts involving this so-called subterranean economy, such as matching information documents with tax returns to identify persons not filing returns and persons who underreport income on their returns as well as investigating persons who previously filed returns but have stopped doing so.

As a result of the task force's report the IRS is establishing new programs and allocating resources to coordinated projects to discover and tax unreported income. The results of these projects will be considered in the future selection of returns for examination.

## Tax Shelters

In recent years many promoters have arranged artificial transactions based on questionable legal interpretations to market limited partnership syndications and individual investments to high-income taxpayers, creating large tax deductions and losses that lack economic reality.

In 1973 the IRS began a tax shelter audit program in the oil and gas industry, later expanding to other potentially abusive shelter areas. Efforts have included identifying tax shelter cases, educating agents to recognize tax shelter issues, developing the IRS position on key issues and identifying cases for early litigation.

Audit coverage of all partnership returns was 2.5 percent for 1979 with 17 percent coverage for partnership returns in the over-\$25,000 loss category. The use of computer programs to analyze, identify and retain data on partners and partnerships, coupled with information obtained from the Securities and Exchange Commission, state agencies and others, improves the IRS capability to identify partnership returns that warrant examination.

#### Return Preparers

The Tax Reform Act of 1976 permits the IRS to regulate standards of conduct as well as disclosure and reporting rules for return preparers. Penalties ranging from \$25 to \$500 are provided for noncompliance with the laws and regulations.

In 1979 over \$1 million in penalties have been proposed by district offices against 3,519 preparers.

#### Quality Control

The quality control staffs, through review of completed work, attempt to assure fair and impartial administration of the revenue laws by examiners. The staff also advises management of areas requiring attention and takes action to maintain high-quality examination standards. The IRS is currently defining quality examination in more measurable terms.

#### Simultaneous Examination

The IRS simultaneous examination program with treaty countries originated with Canada in 1977 and was expanded to the United Kingdom in 1978 and the German Federal Republic and France this year.

In this program, the participating governments separately examine the affairs of designated multinational taxpayers under their respective jurisdictions. Before an audit begins representatives of each country meet to

plan and coordinate the examination and information is exchanged during each stage of the examination, in accordance with the tax treaty provisions.

#### International Enforcement Program

Examiners with expertise in international issues audit returns containing those issues, the majority involving multinational corporations included in the coordinated examination program. International examiners are trained to handle complex issues involving controlled foreign corporations, transfers of property to corporations, allocation of income among taxpayers, foreign tax credit and the international boycott provisions of the Tax Reform Act of 1976.

#### Enrolled Agents

Individuals who are not attorneys or Certified Public Accountants (CPAs) must pass the special enrollment examination to represent taxpayers before the IRS.

The examination covers the tasks enrolled agents must perform and emphasizes federal tax laws as they apply to business operations, sole proprietorships, partnerships and corporations. The current examination is divided into four parts and candidates are required to pass each part though they may retain credit for any part passed and need only retake those parts failed. They must, however, pass the entire examination within two consecutive years.

Treasury Department Circular 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries, was amended in 1979, to expand the advertising and solicitation provisions of the regulations. Enrolled agents may now advertise certain background and fee information.

This year, 4,332 candidates took the special enrollment examination, compared to 4,380 in 1978.

## Appeals

The IRS encourages the resolution of tax disputes through an independent administrative appeals system rather than litigation. The appeals system, administered by the Office of the Regional Director of Appeals in each of seven regions, is designed to minimize inconvenience, expense and delay to taxpayers in resolving contested tax cases.

Proceedings in the appeals process are informal so taxpayers may, and frequently do, represent themselves. In addition, in all office examination cases and in field examination cases where the disputed tax liability for each taxable year involves \$2,500 or less, taxpayers may obtain a conference without filing a written protest.

If a tax dispute cannot be resolved at the administrative appeals level, taxpayers have additional appeal rights to the courts. If the disputed tax does not exceed \$5,000 in any tax year, a simple procedure is available under the U.S. Tax Court small case procedures that permits informal hearings where taxpayers may present their cases before a special trial judge. However, neither the taxpayer nor the government may appeal decisions in such cases.

If the disputed tax exceeds \$5,000 or if the taxpayer chooses, the case may be heard under regular Tax Court procedures. Taxpayers may choose to bypass the Tax Court by paying the tax deficiency and filing a claim for refund within two years from the date of payment.

If the claim is denied or no action is taken by the IRS within six months, the taxpayer may file suit for a refund in either a U.S. District Court or the Court of Claims. Adverse decisions of the Tax Court or the District Court may be appealed to the U.S. Circuit Court of Appeals having jurisdiction. A party may petition the U.S. Supreme Court to review adverse decisions of the Court of Claims and the Circuit Courts of Appeals.

Cases considered by Appeals fall into two categories: nondocketed and docketed. Nondocketed cases are those in which a taxpayer is protesting a proposed action by an IRS

district or service center director involving additional taxes and/or penalties, a refund disallowance or a rejection of an offer in compromise. Docketed cases are those in which taxpayers have filed a petition with the U.S. Tax Court. During this year, 21 percent of Appeals receipts consisted of docketed cases and 79 percent nondocketed.

#### Results

This year reflects the most significant changes to the IRS' administrative appeals process in many years. On Oct. 2, 1978, the IRS commenced operating under a single level of appeal. In addition to the cases previously under the jurisdiction of Appeals and the former district conference, the appeals function now has increased responsibility for post assessment penalty and employee plans/exempt organization appeals. This was also the first full year of operation under Revenue Procedure 78-9 where Appeals now has exclusive jurisdiction of docketed cases for a period of four months with the possibility of extensions if a case is in the process of being settled.

When the new single level of appeal began there were approximately 11,500 work units in the district conference inventory, which were transferred to the new Appeals office. Within six months Appeals disposed of 93 percent of this inventory. The total inventory of the administrative appeals process remained relatively level at year's end — there were 35,000 work units in inventory compared to 32,700 at the end of 1978.

The overall agreement rate for nondocketed work units increased from 84 percent in 1978 to 85 percent in 1979. The docketed agreement rate in 1979 for Appeals and District Counsel combined was maintained at the 73 percent level of 1978, prior to Revenue Procedure 78-9. For Appeals, under Revenue Procedure 78-9, the agreement rate was 52 percent with 70 percent of the cases settled within four months.

In 1978 the district conference appeals function disposed of 54,000 work units with 960 appeals officers and district conferees. In 1979 the administrative appeals process disposed of 46,500 work units with 130 fewer appeals officers than the previous year's combined total of appeals officers and district conferees. The disposal rate in 1979 was 55 work units per appeals officer. In 1978 the former Appellate Division averaged 43 work unit disposals per appeals officer and the combined disposal rate for appeals officers and district conferees in 1978 was 56 work units. In addition to these work units, the Appeals Division disposed of 7,200 post assessment penalty appeal protests representing \$12 million in 1979.

## Criminal Investigation

Criminal investigations for the enforcement of the criminal provisions of the tax laws are divided into General Enforcement and Special Enforcement Programs.

The General Enforcement Program provides for balanced criminal tax enforcement and geographical and occupational coverage of the population involving various types of alleged violations of the tax laws. In recent years, added enforcement efforts have been put on the questionable refund program and the illegal tax protester project.

The Special Enforcement Program covers the identification and investigation of individuals who derive substantial income from certain illegal activities and violate the tax laws. Special agents of the Criminal Investigation Division participate in the federal strike force program against organized crime with strike force units located in 13 major cities coordinated by attorneys from the Justice Department. The Special Enforcement Program also includes the high-level narcotics financiers and traffickers project coordinated with the Drug Enforcement Administration, waging and other efforts against racketeers.

## Results of Operations

Some 9,780 investigations were initiated in the General and Special Enforcement Programs, up from 9,481 the previous year. The Division completed 9,952 investigations and recommended prosecution in 3,338 investigations. Grand juries indicted or U.S. Attorneys filed information on 1,820 taxpayers. Prosecution was successfully completed in 1,612 cases. Taxpayers entered guilty pleas in 1,152 cases, 118 pleaded *nolo contendere* and 342 were convicted after trial. Acquittals and dismissals totaled 96 and 183, respectively. Of the 1,519 taxpayers sentenced during the year, 675 or 44.4 percent received jail sentences.

In its Special Enforcement Program alone the Division completed 1,533 investigations and recommended prosecution in 685 cases. There were 306 convictions or pleas of guilty to tax charges and 832 prosecutions pending on Sept. 30, 1979.

The accompanying table covers the results of criminal actions in tax fraud.

## Results of Criminal Action in Tax Fraud Cases

Action	Number of Defendants	
	1978	1979
Plea of Guilty or <i>nolo contendere</i>	1,189	1,270
Convicted after trial	225	342
Acquitted	70	86
Nol-prossed or dismissed	119	183
<b>Total Disposals</b>	<b>1,603</b>	<b>1,881</b>
Indictments & Information	1,724	1,820
Percentage of Jail Sentences to Total Sentenced	47.1	44.4

## Collection

The IRS collects taxes that are due but not paid, securing delinquent tax returns and payments, and preventing delinquency in the filing and payment of taxes. During 1979, the Service disposed of 2.1 million delinquent accounts. Some \$3.3 billion were collected from delinquent accounts and \$1.6 billion were collected in response to notices sent to taxpayers. Approximately 1.3 million delinquent returns were secured, involving \$1.4 billion in additional assessments. Returns compliance programs identifying potential nonfilers secured 76,968 returns with \$20.5 million in additional taxes assessed. Statistical Table 13 shows results for 1979.

## Results of Direct Enforcement on Delinquent Accounts and Returns

	1978	1979
<b>Delinquent Taxes Collected<sup>1</sup></b>		
From Delinquent Accounts	\$3,070.0	\$3,316.1
From Notices	\$1,225.0	\$1,584.1
<b>Delinquent Returns secured<sup>2</sup></b>		
By Collection Division	1,056.2	1,324.2
By Examination Division	83.9	58.2
<b>Additional Tax, Penalty and Interest Assessed on Delinquent Returns (Net of Prepaid credits)<sup>1</sup></b>		
By Collection Division	\$989.0	\$1,379.1
By Examination Division	**\$145.2	\$69.0

<sup>1</sup> Revised

<sup>2</sup> Revised figure. The \$685.5 million previously reported was overstated due to a reporting accumulation error.

<sup>3</sup> millions

<sup>4</sup> thousands

Over the past year several significant steps were taken to improve programs to fulfill the Collection mission. For example, it was determined that some work previously performed in the district offices could be done more efficiently in the service centers, frequently replacing expensive field investigations. A new service center Collection function initiates correspondence and telephone contacts with taxpayers to resolve balance due and return delinquency conditions. If a taxpayer is unable to make immediate payment, the service center will, under certain circumstances, make arrangements with the taxpayer to pay the amount due in equal monthly installments. The taxpayer must comply with certain conditions, such as timely payment of future taxes and filing current returns. Cases that cannot be resolved in the service center are sent to the various district offices for further action.

Most cases sent to the districts are initially handled by correspondence and telephone contacts. Taxpayers may also come to the district office to discuss their case with an IRS representative.

Cases that cannot be resolved by these methods are sent to the field function where revenue officers and revenue representatives personally contact taxpayers to collect delinquent taxes and secure delinquent returns.

Federal tax laws provide the IRS with broad authorities to collect delinquent taxes. Among these are the filing of a Notice of Federal Tax Lien and 371,000 were filed in 1979; levy authority for wages, salaries, etc., and 465,000 were served in 1979, and the seizure of both real and personal property, with 5,723 made in 1979.

### Trust Fund Taxes

Nonpayment of taxes withheld from employee's wages is one of the most serious delinquency problems. IRS identifies employment tax delinquencies through various programs and closely monitors employers who fail to comply with the deposit, filing and payment requirements. The federal tax deposit alert program identifies taxpayers who are required to deposit taxes withheld from their employees' wages but do not make these deposits. These taxpayers are contacted by revenue officers who take appropriate action. If further followup is necessary, taxpayers are monitored under the trust fund compliance program. Such taxpayers may be required to file monthly, rather than quarterly, returns. Some may also be required to deposit withheld taxes into special bank accounts in trust for the United States. Violations can lead to criminal prosecution.

### Delinquent Returns

The IRS is developing a predictive model to select cases for investigation from among nonfiler leads. This will direct resources to productive investigations and avoid needless contacts with persons not required to file. This effort is particularly significant in helping to close the estimated "compliance gap" referred to in the IRS' recent report, "Estimates of Income Unreported on Individual Income Tax Returns."

Special efforts will be made to identify and contact most delinquent taxpayers within six

months after the return due date. And, to inform individuals better about filing requirements, the IRS will provide a document containing basic filing criteria in return delinquency notices mailed to taxpayers.

### Child Support Obligations

As a result of the Social Services Amendment of 1974, *Internal Revenue Code* section 6305 empowers IRS to collect delinquent child support payments on behalf of certain state agencies.

IRS collection may be used only for cases in which a court-ordered child support obligation is delinquent and an assignment of support rights has been executed as a condition of eligibility for Aid to Families with Dependent Children.

After state collection resources have been exhausted, applications are made through the HEW Office of Child Support Enforcement for IRS collection assistance. Once referred to IRS, delinquent child support accounts are collected the same as delinquent taxes.

### Offers in Compromise

Since 1831 the Treasury Department has been authorized to compromise liabilities owed to the United States.

The offer in compromise procedure is used as a tool to effect maximum collection in situations where the liability is not collectible in full or there is doubt as to the correctness of the liability. In 1979 the Collection Division processed 2,016 offers in compromise.

### International Operations

The Office of International Operations (OIO) is responsible for U.S. tax matters relating to U.S. citizens residing in foreign countries and foreign entities doing business in the U.S. It is also concerned with U.S. businesses controlled by foreign interests and assists in the overseas examination of multinational corporations. Further, OIO assists the U.S. Competent Authority in the administration of tax treaties. OIO also administers the social security laws in the U.S. Possessions and Puerto Rico and the income tax laws affecting Puerto Rican residents with income from sources outside of Puerto Rico.

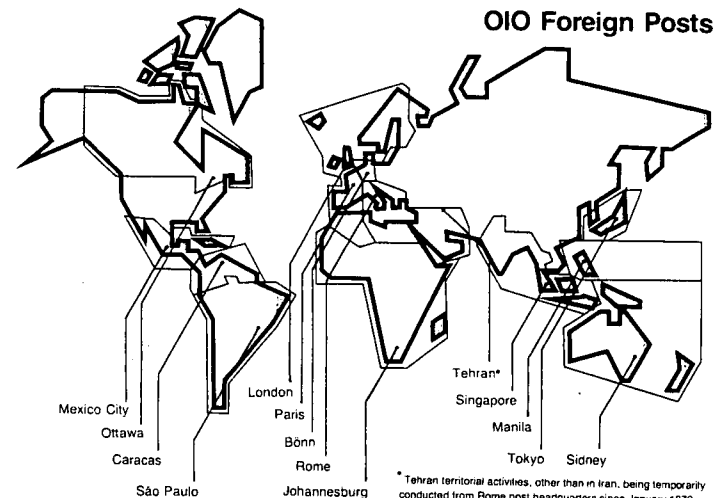
OIO maintains a network of 14 foreign posts managed by revenue service representatives (RSRs) who provide the principal contact between the IRS and Americans living abroad. These offices have multi-country responsibility, except in Canada, and are located in American population centers to assure maximum impact on taxpayer compliance and convenient access for American citizens to obtain tax assistance.

OIO's posts in Bonn, London, Paris and Rome cover Western Europe and North Africa.

ca. The post in Johannesburg services Africa, south of the Sahara. The Mexico City, Caracas and Sao Paulo posts are assigned Mexico, Central America and South America, while the Ottawa post handles Canada. The offices in Tokyo, Manila, Singapore and Sydney carry out tax administrative activities in Japan, Southeast Asia, Australia and New Zealand.

The RSRs maintain personal contacts with foreign tax authorities, foreign government officials, the Department of State and other U.S. agencies, as well as American communities abroad. They also serve as a liaison with foreign competent authorities, in tax treaty matters, for the U.S. Competent Authority.

Examination, Collection and Criminal Investigation activities take place primarily in the U.S., even though OIO sends revenue agents, tax auditors and criminal investigators abroad to conduct investigations. Collection cases that cannot be settled through correspondence are sent to the foreign posts for personal contact by the RSRs or by the revenue officers assigned to the posts.



Taxpayers have received tax assistance abroad for 26 years, and this year twenty-one assisters were sent abroad to 150 cities in 92 foreign countries. More than 150,000 taxpayers were assisted and several hundred members of the armed forces attended seven military tax schools. The armed forces participants then helped thousands of military personnel prepare their own tax returns.

### Treaties

Tax treaties with other countries eliminate double taxation, remove tax barriers to trade and investment and help curb tax avoidance. The U.S. now has income tax treaties with 38 countries and estate tax treaties with 13 countries.

In 1979, meetings were held with tax officials from several treaty countries to improve the administration of the treaties involved. These conferences improved working arrangements for more effective exchange of information, for resolution of recurring problems that arise from conflict of U.S. and foreign tax laws and for elimination of double taxation.

This year the IRS and the Puerto Rican Department of the Treasury established a mutual agreement procedure to resolve double taxation cases with Puerto Rico. The IRS has entered into a tax administration agreement with Puerto Rico, American Samoa, Guam and the U.S. Virgin Islands that provides for the exchange of taxpayer return information and the development of mutual assistance programs.

Some tax treaties provide for mutual collection assistance and OIO is playing an increasing role on a reciprocal basis in collecting taxes of these treaty partners from aliens in the U.S.

### Employee Plans/ Exempt Organizations

The Office of Employee Plans and Exempt Organizations (EP/EO) administers the responsibilities of the IRS for employee benefit plans and tax exempt organizations. In the National Office these functions are handled by the Employee Plans, Exempt Organizations and Actuarial Divisions. EP/EO field staffs are located primarily in the seven regional IRS offices and 19 key districts.

The Employee Plans activity administers the Employee Retirement Income Security Act (ERISA) of 1974 with emphasis on processing determination and notification letter requests timely and providing uniform interpretation of the appropriate laws and procedures. IRS continues to coordinate the administration of ERISA with the Department of Labor and the Pension Benefit Guaranty Corporation.

Since the ERISA requalification determination letter inventory decreased, focus was directed to a field compliance examination program to ensure that employee plans are operating in accordance with the plan document and that the rights and benefits of all plan participants are protected. Followup continues on those plans that received determination letters before the enactment of ERISA but failed to request a determination letter to conform to ERISA's requirements. Those plans that reported a minimum funding deficiency on Form 5500 series returns are being notified of the requirements for filing Form 5330, Return of Initial Excise Taxes Related to Pension and Profit-Sharing Plans.

Revenue Procedure 79-28, issued April 27, 1979, gives simplified instructions to employers, law firms and sponsors of plans who submit requests for determination or notification letters designed to conform the plan to final regulations under ERISA. As a result, adopters of approved master and prototype plans, field prototype plans, pattern plans and basic plans need no longer submit for IRS approval amendments made only to conform plans to final regulations.

An expanded revenue ruling program for Employee Plans was implemented during 1979 to identify all pre-ERISA revenue rulings that were invalid or misleading under present law. Revenue rulings are being prepared to revoke, obsolete, restate or modify those in need of updating.

The Revenue Act of 1978 provided for Simplified Employee Pensions (SEP) for calendar years beginning after Dec. 31, 1978. The IRS

has been involved in issuing instructions for adoption of SEPs and developing a model agreement for use by the public.

During the year, 5 regulations and 22 revenue rulings and procedures were issued, as well as 2,235 National Office opinion letters on master and prototype plans dealing with Keogh plans, corporate plans and individual retirement accounts and annuities.

The IRS devoted an average of 751 field professional positions to carry out employee plan responsibilities. Advance determination letters were issued on the qualification of pension, profit-sharing and other employee benefit plans. Examinations were conducted to determine the qualification of plans in operation and to verify plan contribution deductions. During the year 141,263 determination letters were issued on corporate and self-employed plans for a decrease of 34 percent from 1978.

The Exempt Organizations activity determines the qualifications of organizations seeking tax-exempt recognition, determines their private foundation status and examines returns to ensure compliance with the law. The number of active entities on the exempt organizations master file (EOMF) increased from 810,048 in 1978 to 824,536 in 1979.

This year, 7 regulations, 25 revenue rulings and procedures, 340 technical advice memoranda and 21 announcements were issued or revised. An average of 433 field professional positions were used to examine 22,371 exempt organizations returns. Also, 114 field professional positions and 117 National Office technical positions were used for 50,568 applications, reapplications and requests for rulings on proposed transactions from organizations seeking a determination of tax-exempt status or of the effect of organizational or operational changes on their status. The development of the new formulas to select certain exempt organization returns for examination has been completed, using the taxpayer compliance measurement program (TCMP) file augmented by EOMF data. The result was improved formulas for selection of Internal Revenue Code subsection 501(c)(3) public charities and IRC 501(c)(4) organizations for examination.

The IRS is developing a TCMP survey for all IRC 501(c) subsections through (c)(8) having more than 5,000 filers. The survey, involving examinations of 20,000 returns filed in 1980 through 1983 will begin in October 1980.

Additional guidelines have been published providing instructions and procedures to examiners for the pre-examination of churches and related organizations. Guidelines were also issued providing uniform procedures for the identification, investigation and examination of organizations employing questionable claims of tax-exempt church status.

In 1979, IRS concluded a nationwide review of the exempt status under IRC 501(c)(4) and 501(c)(7) of certain homeowners associations. The IRS advised the homeowners associations revoked under the program of the availability of exempt status under IRC 528. The program resulted in 532 revocations under 501(c)(4) and 501(c)(7) and 479 conversions to IRC 528 status.

# Managing the Tax System

## Planning and Research

During 1979 the IRS prepared a five-year plan for resource needs as well as a plan for significant issues confronting tax administration. Major research was done on taxpayer opinions, ways to simplify federal tax reporting, tax compliance and improvements to the structure and operations of the IRS. Testimony and other information was developed for presentation to congressional committees, pending legislation was analyzed and statistical and other analysis was carried out.

### Research Efforts

A nationwide survey of taxpayers was conducted to determine satisfaction with IRS services and to get public opinion on tax law enforcement. The results of the survey will be available in early 1980.

A study of the use of tax havens has been established to examine existing law, interagency coordination, domestic and foreign information reporting requirements, regulations, enforcement resources and to try to determine the scope of the problem.

In 1978 the IRS began a series of studies to determine compliance with some of the approximately 90 provisions in the *Internal Revenue Code* that allow taxpayers to defer certain tax consequences to subsequent years. Since the problems associated with tax deferrals involve all types of taxpayers, the studies deal with corporate, partnership, estate, trust and individual tax returns. Each study will develop data concerning tax consequences and compliance with the various deferral provisions. Some studies involve partnership tax shelter losses in excess of at-risk basis, deferred gains on sales of personal residences, stock basis reduced by nontaxable distributions, special estate tax valuations and the recapture of the new residence purchase credit if the residence is sold within three years of purchase. IRS also plans to study deferred gains on installment sales, changes in accounting methods, recapture of accelerated depreciation on certain housing projects and at-risk limitations on losses from various business activities.

A study of compliance by workers claiming independent contractor status was completed, resulting in a legislative proposal to require tax withholding on nonemployee compensation.

Research was undertaken on the effectiveness of the information reporting system. The studies focus on how well payers comply with information reporting requirements and the use of information documents in enforcement programs, as well as the feasibility of requiring information reporting on bearer instruments.

A major research report, "*Estimates of Incomes Unreported on Individual Income Tax Returns*," issued in 1979, presents estimates of total income individuals should have reported to the IRS but did not and the associated tax revenue loss. The estimates include underreporting on individual returns filed and on returns that should have been filed covering legal and selected types of illegal income. Copies of the report, Publication 1104, are for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Recent legislation required the Secretary of the Treasury to study existing highway excise tax structure and alternative tax funding methods for the highway trust fund. As a part of the study the IRS will examine the administrative and compliance aspects. Treasury's final report to Congress is due in April 1982.

This year the IRS completed a study of the civil penalties in the tax law after examining approximately 75 different penalties for not filing tax returns and information documents, not paying taxes timely and not reporting federal tax liability properly. The report recommends approximately 35 legislative changes and several administrative changes to deter noncompliance and to improve the administration of penalty provisions.

### Taxpayer Compliance Measurement Program

The taxpayer compliance measurement program (TCMP) is the IRS' basic research effort to estimate the nature and extent of tax law compliance. Random samples of returns filed

in different tax areas are examined to develop data used to plan enforcement programs and to improve computer selection of returns for examination, to allocate IRS resources, to formulate taxpayer information programs and to develop and improve tax return forms and instructions.

This year the IRS completed field examinations of a sample survey of 1976 individual returns and undertook a project to determine how well TCMP examinations disclose income covered by information return reporting. Examinations continued on the third survey of corporations with assets up to \$10 million and the process for selecting returns for the first TCMP survey of employee benefit plans was started.

### Productivity

This year, IRS established a fund to sponsor studies and tests of ideas to increase productivity. The IRS also established a program to encourage cost savings so that managers who institute them can put 50 percent of the savings generated in their function's financial plan for a one-year period. The IRS identified steps that should save about \$21 million when fully operational. For example, filing requirements were modified for employers maintaining corporate pension plans with fewer than 100 employees so that a full return need only be filed once every three years, with a short registration form other years.

### Publishing Statistics

The annual Statistics of Income (SOI) publications provide a variety of statistical data reported on tax returns.

SOI publications issued in 1979 included preliminary reports for individual income tax returns for 1977 and corporation and unincorporated business returns for 1976; complete reports for individuals for 1976, unincorporated businesses for 1975 and corporations for 1974.

This year the IRS completed an SOI report on estate tax returns filed in 1976. These data are compiled every four years. A sample of

the 1976 returns provided the basis for a study for the Treasury's Office of Tax Analysis (OTA) to show the relationships of wealth and income of decedents and their heirs as reported on income tax returns.

This year the IRS provided the first SOI supplemental report in several years giving information by country on foreign income and taxes of U.S. corporations claiming a foreign tax credit.

Statistics of Income publications may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

### Tax Models

Tax models are used primarily to respond to requests for tabulations of tax return data. Five basic models cover individuals, corporations, sole proprietorships, partnerships and estates and consist of computer programs used with special SOI files of the most current data.

Under the federal-state exchange program, state governments can obtain copies of the individual income tax model file for tax administration purposes. The same file, with all taxpayer identifying information removed, can also be purchased by the public from the National Archives. The public may also obtain a companion file resulting from a special study done for OTA on the sales of capital assets by individuals.

### Projecting Returns Filed

For planning and budgeting purposes, nationwide projections are made of the number of returns to be filed. Annual updates incorporate economic and demographic changes and the effects of tax law changes and filing patterns.

The number of primary returns is expected to grow from 130 million in 1978 to 164 million in 1990. This increase of 26.3 percent reflects the expected growth in population and economic activity.

### Legislative Activities

The IRS analyzes legislative proposals affecting the IRS and determines their administrative implications. Once legislation is enacted a plan for implementing each provision is coordinated with appropriate IRS offices to assure that all provisions are implemented.



During the year, 17 implementation plans were developed, including plans for major 1978 legislation such as the Energy Tax Act, the Foreign Earned Income Act and the Revenue Act. The Revenue Act alone required more than 500 separate actions to implement the more than 250 changes in the tax law.

### Resources Management

Resources Management is responsible for fiscal and facilities management, personnel, training, centralized services, employment policy, security standards and evaluation and management improvement.

### Centralized Services

This year a Centralized Services organization was established to consolidate computer terminals, microfilm, files and clerical functions in the district offices servicing Examination, Collection, Taxpayer Service, Criminal Investigation and Appeals offices.

### Labor-Management Relations

The National Treasury Employees Union and IRS have agreed to negotiate one master labor agreement to cover the approximately 70,000 IRS employees represented by the union. Final agreement has not yet been reached.

A labor relations course is being given in regional offices to provide technical skills to field office personnel to carry out contract administration. The course emphasizes settlement of grievances and unfair labor practices.

The IRS publishes *The Labor Relations Report*, a biweekly newsletter for executives and personnel staffs, highlighting those developments likely to affect the overall management of the IRS. It also provides personnel staffs with specialized information needed in day-to-day contract administration and in dealing with a union.

### Paraprofessional Positions

Several paraprofessional occupations have been established in IRS to perform lower-graded, less complex work formerly done by higher-graded professional and technical employees. This has provided new avenues of employment for persons with less than the full range of professional or technical qualifications and established a bridge to let clerical and other lower-graded employees have the opportunity to advance to professional and technical occupations.

During 1979, IRS placed almost 3,000 employees in paraprofessional positions. This provided increased upward mobility opportunities and resulted in saving several million dollars over the cost of a similar number of professional and technical positions.

### Awards for Incentive

Many employees received recognition for their outstanding contributions under the IRS incentive awards program. They included one Meritorious Service Award, 11 Commissioner's Awards, 29 Special Achievement Awards of \$1,000 or more and three special recognition awards for exposing bribery schemes. Also, William E. Mulroy, Director of the Internal Security Division received the 1979 Association of Federal Investigators Enforcement Award.

Fifty employees received Presidential Letters of Recognition for employee contributions resulting in benefits of \$5,000 or more or for exceptional achievement in specific programs.

Under the incentive awards program, 7,727 people were recognized, and the IRS realized about \$1,869,000 in benefits during 1979.

### Jobs for the Handicapped

The IRS hired 421 severely handicapped employees this year increasing this part of the workforce to 2,122. There are now 490 legally blind IRS employees, 159 of whom are tax-



payer service representatives (TSRs). Some blind TSRs have moved to the Taxpayer Service Specialist (TSS) position, which offers greater advancement opportunity, and others have been promoted from TSS to group manager. The IRS nominee for the Outstanding Federal Handicapped Employee of the Year is Edwin Tylee of the Brookhaven Service Center.

### Training

This year the IRS developed training programs to implement provisions of the Civil Service Reform Act, including a major review of all levels of management training.

A study under the guidance of a board of national and field executives was initiated to assess the effect of changes in IRS duties and recruiting on the training program. Consideration will be given to future instructional technology, the need and location of training centers, development of course materials and necessary staff changes.

During the past year 725 men and women attended three training schools at the Federal Law Enforcement Training Center in Glynco, Ga.

A program has been developed to train senior examiners as petroleum industry specialists. Training courses are also being developed for other industry specialist areas such as aerospace, air transportation, chemicals, construction, data processing, insurance, pharmaceuticals, railroads, tractors and other heavy equipment, utilities and forest products.

Special agents, revenue agents and taxpayer service employees received training about legal requirements and prohibitions under the laws governing disclosure of information. A disclosure orientation course has been developed for use as part of all basic training and annual refresher training courses and disclosure officers were trained to improve the employees' ability to deal effectively with the public in Freedom of Information and Privacy Act matters.



Collection Division and Chief Counsel personnel were given training in the provisions of the bankruptcy law, which was completely revised by Congress late in 1978.

Audiotapes on the rules of conduct were developed for visually handicapped employees and tapes of various taxpayer service courses were developed for use by blind employees. A videotape that shows data transcription instructions in sign language was developed to provide training for deaf data transcribers.



Training assistance also was provided state and local revenue agencies. Almost 2,000 employees from various state and local governments have received training assistance in financial investigative techniques, and procedures used in investigation of white collar crime.

More than 600 IRS employees attended writing workshops to improve the quality of public correspondence.

#### Logistics Support

In order to comply with an Executive Order requiring a 20 percent reduction in energy use by 1985, a joint IRS/GSA task force has been formed to investigate energy conservation in the IRS service centers.

The task force identified potential annual savings of up to \$708,000 in utility costs after surveying the Andover, Atlanta, Fresno,

Memphis and Ogden Service Centers. Implementation plans are underway to help produce a net reduction Servicewide of approximately 30 percent in the consumption of energy during 1980 in comparison with the 1975 base year.

Over two-thirds of the *Internal Revenue Manual* has been converted to a new electronic composing system. Under this system, updates to the *Manual* can be composed, printed and distributed in three to 10 workdays depending on the number of pages, less than a quarter of the time required previously.

The cost of express mail systems was reduced by approximately \$300,000 through use of IRS courier service and better transportation methods. Records disposition released space and equipment valued at \$5,608,000. Some 170,500 cubic feet of records were destroyed and more than 371,500 cubic feet were retired to federal record centers.

Savings of over \$800,000 were realized through the release of space and a reduction of utilities, guard services and space rental rates for released space. More economical use of the long distance federal telecommunications system resulted in savings of \$1.3 million.

An IRS household goods relocation system was introduced that increases efficiency and has saved approximately \$100,000 since implemented.

The IRS experienced a rate of 3.2 disabling injuries per million staff hours worked in calendar year 1978. IRS employees drove 121 million miles with an accident frequency rate of 5.5 accidents per million miles driven. Both the disabling injury and motor vehicle accident rate reflect slight reductions from 1977 and continue to be among the lowest of all federal agencies.

#### Equal Employment Opportunity

The IRS established the position of Assistant to the Commissioner (Equal Opportunity) to give emphasis to equal opportunity and affirmative action efforts.

Many IRS offices this year observed special events, such as Black History Week, Hispanic Heritage Week, Women in Government Month, and Asian/Pacific American Week.

New program guidance was issued in an EEO handbook for IRS managers and special issuances were made on evaluation of EEO performance and collateral EEO duties. Affirmative action plans were prepared in each office based on assessment of local needs and problems.

From July 1978 through July 1979, total full-time regular employment in the IRS showed a 1.9 percent decrease. However, during that same time, the number of women decreased only .5 percent and the number of minorities increased 2.5 percent. Women in positions at GS-13 and above increased from 4.5 percent to 5.3 percent and minorities from 5.8 percent to 6.5 percent. There were gains in the employment of women and minorities in almost all IRS major occupations, including attorney, criminal investigator, revenue agent and appeals officer.

This year the IRS awarded contracts of \$1,521,000 to minority or disadvantaged owned businesses exceeding its \$1 million goal by 52 percent.

#### Data Services

The Office of the Assistant Commissioner for Data Services develops, implements and evaluates computer systems, programs and hardware requirements of the IRS and is responsible for the operations of the National Computer Center in Martinsburg, W. Va., and the Data Center in Detroit, Mich.

During the past year, Data Services has been involved in major changes to the Form 1040 processing system brought about by the Revenue Act of 1978.

#### National Computer Center

The National Computer Center uses eight computer systems and three computerized microfilm systems to process the individual, business, exempt organization, employee plans and individual retirement account master files for the nation.



The computer center operates 24 hours a day, seven days a week and maintains reciprocal accounting with each of the ten IRS service centers. As of August 1979 the number of taxpayer accounts on the individual master file had grown to 114.2 million, a 2.9 percent increase over the same period in 1978. The business master file had 21.3 million accounts — 24.1 percent above 1978. There were also 1.1 million for the exempt organization master file, 1.3 million for the employee plans master file and 227,000 on the individual retirement account master file.

#### Data Center

The IRS Data Center performs the IRS' non-master file data processing operations. Installation of a new computer system is scheduled for completion the last quarter of calendar year 1979. The increased capacity and sophistication of this new system will enable the Data Center to replace the two existing systems, and to serve as a teleprocessing center for the IRS.

A new filming system has been installed at the Data Center to produce microfiche of 700,000 employee benefit plan returns each year. This filming system is designed to provide immediate access to copies of these returns at IRS service centers and the Department of Labor as mandated by law. This system includes one of the largest applications of full reversal processing of film from quality source documents. Full implementation early next year will result in the production of approximately 100,000 microfiche per month.

## Technical Activities

The IRS tax ruling program consists of letter rulings, technical advice and published revenue rulings. During the year IRS acted on 18,770 requests for changes in accounting methods and periods, responded to 8,719 requests for technical advice, and issued 450 revenue rulings and revenue procedures.

A letter ruling is a written statement issued to a taxpayer interpreting and applying tax law to a specific set of facts. Such a ruling provides guidance concerning the tax effects of a proposed transaction. Letter rulings are not precedents and may not be relied upon by taxpayers other than the recipient.

Technical advice is issued by the National Office at the request of a district office to provide guidance on the proper application of the tax laws to specific facts in connection with the audit of a taxpayer's return or claim for refund or credit.

A revenue ruling is an interpretation of the tax laws published in the weekly *Internal Revenue Bulletin* to inform and guide taxpayers, practitioners and IRS personnel.

### Updated Procedure

During 1979 the IRS published Revenue Procedure 79-45, which revised the procedures the IRS will follow in issuing rulings and determination letters and in entering into closing agreements. This revenue procedure also contained instructions for taxpayers to follow when requesting such rulings and determinations. Revenue Procedure 79-46 revised the procedures for furnishing technical advice to district directors and Appeals offices and informed taxpayers of their rights when such advice is requested.

### Internal Revenue Bulletin

The weekly *Internal Revenue Bulletin* announces official rulings and procedures of the IRS and published Treasury Decisions, Executive orders, tax conventions, legislation, court decisions and other items of general interest. *Bulletin* contents of a permanent nature are consolidated semiannually into *Cumulative Bulletins*.

## Revenue Rulings and Revenue Procedures Published

Type	Number
Administrative	18
Employment taxes	14
Estate and Gift Taxes	48
Excise Taxes	40
Exempt Organizations	25
Income Taxes	280
Employee Plans	22
Tax Conventions	3
<b>Total</b>	<b>450</b>

*Cumulative Bulletins*. Weekly and semiannual issues are available to the public through the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

During 1979 the *Bulletin* included 388 revenue rulings, 62 revenue procedures, 26 Public Laws relating to Internal Revenue matters and 17 committee reports, 76 Treasury Decisions containing new or amended regulations, 36 delegation orders, 2 Treasury Department Orders, 19 notices of suspension and disbarment from practice before the IRS, 270 announcements of general interest and 4 court decisions.

### Making Rulings Public

The Tax Reform Act of 1976 provided that IRS rulings and technical advice memoranda generally be opened to public inspection after the deletion of the taxpayer's identity, trade secrets and confidential commercial and financial information.

Rulings and technical advice requested after Oct. 31, 1976, are usually made available within 90 days after they are issued to taxpayers. Some 25,000 of the approximately 83,000 issued in answer to requests made before Nov. 1, 1976, were made available to

## Requests for Tax Rulings and Technical Advice (Closings)

Subject	Total	Taxpayers' Requests	Field Requests
<b>Total</b>	<b>27,489</b>	<b>26,565</b>	<b>924</b>
Administrative Provisions	60	35	25
Changes in Accounting Methods	6,842	6,842	
Changes in Accounting Periods	11,928	11,928	
Earnings and Profits Determinations	1,268	1,268	
Employment and Self-Employment Taxes	643	389	254
Engineering Questions	148	89	59
Estate and Gift Taxes	439	309	130
Excise Taxes	196	121	75
Individual Income Tax Matters	1,864	1,737	127
Corporation Tax Matters	4,101	3,847	254

the public in 1978. During 1979, the remaining 58,000 determinations written in the past were made available to the public, marking the end of the past rulings release program.

## Inspection

The Inspection Service's internal audit and internal security programs aid IRS managers in maintaining the highest levels of efficiency and integrity.

### Internal Audit

The Internal Audit Division appraises IRS operations to measure compliance with management policies, to determine whether procedures are in accordance with law and regulations and to ascertain whether programs are carried out effectively, efficiently and with integrity.

Audit emphasis is placed on IRS activities considered to be high-risk or having significant impact on taxpayer service and revenue collection. High priority is given to reviewing controls for safeguarding of tax information and assuring fair and equitable treatment of taxpayers.

Coordinated audits provide uniform coverage in a representative number of offices to evaluate a program on a national or regional basis. These audits give managers a better perspective on how their functions are operating, permit nationwide corrective action, if necessary, and result in more effective use of audit resources.

Management actions on Internal Audit reports resulted in better service to taxpayers, strengthened controls and improved operations resulting in measurable savings and additional revenue estimated at \$302 million.

Abstracts of Internal Audit findings are distributed monthly to IRS officials to identify operational areas that may need increased attention. Periodic reports are made to top management on the implementation and effectiveness of actions taken on GAO reviews of IRS activities.

### Internal Security

The Internal Security Division protects the integrity of the IRS by investigating high-risk areas and alerting managers and employees to integrity hazards.

The Division investigates complaints of criminal misconduct affecting IRS employees or operations and persons who attempt to bribe, threaten or assault IRS personnel. It also investigates the unauthorized disclosure of tax information by employees or practitioners and other charges against tax practitioners.

The Division also investigates IRS job applicants and conducts special investigations and inquiries for the Commissioner and the Secretary of the Treasury.

Indications of fraud, embezzlement, or other wrongdoing by IRS employees are investigated thoroughly. During the year possible breaches of integrity by 134 employees and 110 other individuals were investigated. Of the investigations begun into these possible breaches, 28 investigations were completed in 1979. As a result 23 employees and 11 others were cleared of allegations of improprieties, while actions were taken or are pending against 5 employees.

During 1979 Internal Security inspectors arrested or were responsible for the indictment of 61 taxpayers and tax practitioners and 29 employees or former employees. During the year, 97 persons were convicted or pleaded guilty. Of these, 38 convictions were for bribery, 16 were for assault and the remainder involved such criminal charges as conspiracy to defraud the government, obstruction of justice, subscribing to false returns, disclosure of confidential tax information and embezzlement.

### Bribery Awareness

The Division increased the number of bribery awareness presentations to IRS employees expanding them to include videotapes that realistically portray bribery situations IRS employees may encounter.

Employees reported 246 possible bribery attempts resulting in 53 arrests or indictments.

### Assaults and Threats

Assaults and threats against IRS employees declined by 2.2 percent from 465 in 1978 to 455 in 1979.

Internal Security protects IRS employees threatened or assaulted while performing their duties and seeks vigorous prosecution of these cases by U.S. Attorneys. In instances where prosecution is declined—usually in verbal threat cases without physical assault—an inspector, with the approval of the U.S. Attorney, contacts the alleged assailant to inform him or her of applicable federal statutes concerning assaults or threats on government employees. The person also is advised that repetitive acts could result in prosecution.

### Checking the Workforce

The Division completed 12,696 conduct investigations of employees during the year and police record checks were conducted on all persons considered for temporary appointments.

These investigations and record searches resulted in the rejection of 98 job applicants and disciplinary actions, including dismissals, suspensions, reprimands, warning or demotions against 632 employees. Also, at the request of the Inspector General and of the Office of the Secretary of the Treasury, the Division conducted special investigations involving employees of other Treasury bureaus.

While some investigations of IRS employees resulted in criminal prosecution or disciplinary action, in many cases employees were exonerated of accusations of misconduct.

### Chief Counsel

The Chief Counsel, an Assistant General Counsel of the Treasury Department, is the chief legal officer for the IRS and is a member of the Commissioner's executive staff. As such, the Chief Counsel advises the Commissioner on matters pertaining to the administration and enforcement of the internal revenue laws and related statutes, as well as on nontax legal questions.

The Chief Counsel is assisted by a Deputy Chief Counsel (General), a Deputy Chief Counsel (Litigation), a Deputy Chief Counsel (Technical) and seven Regional Counsels.

The Office of Chief Counsel employs over 900 attorneys making it, next to the Department of Justice, the largest law firm in the country. These attorneys are located in the National Office, the seven Regional Counsel offices and 45 District Counsel offices.

Approximately 40 percent of attorney time is spent handling litigation in the United States Tax Court. The attorneys also advise the IRS and assist the Department of Justice on refund suits, criminal tax cases, suits seeking the disclosure of files and documents of the IRS, collection suits and nontax litigation involving the IRS in federal and state courts.

### Administrative Services

The Administrative Services Division supervises matters relating to budget, administration and management in the Office of Chief Counsel. The Division coordinates the recruitment program for the Chief Counsel's office, operates the summer employment program for legal interns and provides opportunities for Counsel attorneys to participate in law school, bar association and in-house training courses.

Under the aegis of the Division, an equal employment opportunity advisory committee and a federal women's program advisory committee, composed of representatives from each division in the National Office, assist in the administration of the Chief Counsel's equal opportunity program.

The Division completed a feasibility study on implementation of a computerized case tracking and management information system. The results of the study were presented

and favorably received by the IRS' ADP policy/resource board and departmental and GSA approval is being sought. This system will be phased-in between 1981 and 1983. Planning is also underway for an interim automated system to monitor the effectiveness of Revenue Procedure 78-9. The interim system will fill the gap between the current manual monitoring procedures and the case tracking and management information system. Decentralization of the Reports and Information Retrieval System (RIRA) for refund suits should be completed during 1980.

### Criminal Tax

Attorneys in the Criminal Tax area handle all criminal tax legal matters for the IRS, furnish legal advice to the Criminal Investigation Division, review criminal tax cases to determine if cases warrant prosecution, and coordinate criminal tax prosecutions with the Department of Justice. Assistance is provided to United States Attorneys in criminal tax trials upon request, and to the Tax Litigation Division in coordinating the application of the civil fraud penalties. Criminal Tax personnel also

### Receipt and Disposal of Criminal Tax Matters

Prosecution Cases Received From Criminal Investigation	
Total Opened	3,338
Total Closed	3,061
Counsel Declined	376
Department of Justice Declined	424
U.S. Attorney Declined	425
Prosecutions Completed	1,836
Opinions	
Pending Beginning	31
Total Requested	116
Total Rendered	112
Pending End	35

coordinate disclosure matters, as well as Freedom of Information Act and Privacy Act matters, in cases where criminal action is anticipated or has been undertaken. For 1979 there were 2,883 referrals by Counsel for prosecution and 20,715 staff hours were spent on legal assistance to the Criminal Investigation Division.

This year the Supreme Court decided in *United States v. Caceres* 99 S. Ct. 1465 (1979) that it was not a denial of due process to fail to follow administrative regulations governing the IRS' conduct in consensual monitoring situations. Caceres sought to exclude evidence of his conversations with a revenue agent whom he attempted to bribe. The revenue agent was carrying a concealed recording device the use of which had not been given the level of approval required by the regulations for nonemergency situations. The Court found the regulations in question to be "housekeeping" regulations upon which Caceres was not entitled to rely in his dealings with the IRS.

#### Disclosure Litigation

Attorneys in the Disclosure Litigation Division handle all Freedom of Information Act appeals to the IRS. The Division provides legal advice to the IRS on issues arising under the Freedom of Information Act, the Privacy Act of 1974, and the confidentiality provisions of the *Internal Revenue Code*. Additionally, the Division handles any requests or demands for testimony or production of IRS records made to National Office employees in connection with any proceeding before any court, administrative agency or other authority.

Attorneys work closely with the Disclosure Operations Division of the IRS, and coordinate with the Department of Justice all litigation arising under the Freedom of Information and Privacy Acts, including recommendations about defense or settlement of suits and appeals of adverse decisions.

Much of the 1979 litigation concerned taxpayer attempts to gain access to civil and criminal investigatory files through the Free-

dom of Information and Privacy Acts rather than using established discovery procedures. Also, employees and their union representatives frequently have litigated under these acts in attempting to obtain access to personnel records of other employees and management documents for use in grievance and other personnel proceedings.

#### EP/EO

The Employee Plans and Exempt Organizations Division provides legal assistance to the Office of the Assistant Commissioner (EP/EO) in the issuance of letter rulings and determinations to taxpayers, technical advice to IRS personnel and revenue rulings and revenue procedures. The Division also provides legal assistance to other divisions in Chief Counsel in determining litigating positions and in coordinating these positions with the ruling positions of the IRS on employee plans and exempt organizations matters. In EP/EO matters, the Division represents the Commissioner and IRS in tax legislative matters; provides the Treasury Department with technical assistance and expertise in the development of internal revenue legislation; furnishes assistance to congressional staffs in the drafting of committee reports; conducts hearings on proposed regulations; and assists in the preparation and review of certain tax forms, instructions and publications.

#### Employee Plans and Exempt Organizations Division Cases Received

Type of Case	
Revenue Rulings	41
Letter Rulings	24
Technical Advice	42
Other Advice	14
Legislation	3
Regulations	34
Miscellaneous	5
<b>Total</b>	<b>163</b>

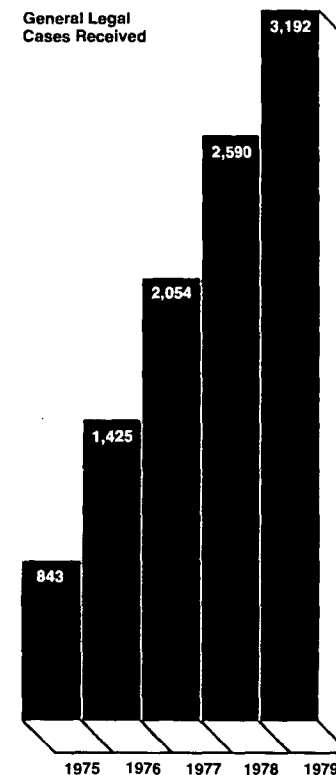
During 1979, the EP/EO Division developed regulations implementing the Employee Retirement Income Security Act of 1974 (ERISA) and the Tax Reform Act of 1976. Regulations were published in proposed, temporary or final form on such matters as the requirements for establishing employee stock ownership plans (ESOPs) and making of loans, ESOP requirements for taxpayers electing 11 percent investment credit, funding rules and coverage and eligibility rules for minimum participation standards for employee plans and definition of and minimum distribution rules for private foundations.

#### General Legal Services

The General Legal Services Division represents the IRS in labor cases, such as impasse proceedings, unfair labor practices, arbitration hearings and serves as a member of and counsel to management teams negotiating individual and multi-unit labor agreements. The Division also provides, where appropriate, assistance to IRS employees and officials who are sued for damages in actions taken in the due performance of official duties. These attorneys also represent the IRS in adverse action and discrimination proceedings, and the Director of Practice in the Office of the Secretary of the Treasury concerning disciplinary actions brought against tax practitioners. Advice is provided to the IRS concerning government contracts, tort claims, forfeitures, Inspection Service actions and other matters not directly involving federal taxes. The director acts on behalf of the Chief Counsel as the Deputy Counselor for rendering advice and guidance to the IRS and Chief Counsel's office on conflict of interest and issuing authoritative interpretations of the employee rules of conduct. The director is the designated agency official for the IRS and Chief Counsel's office under the Ethics in Government Act of 1978.

The attorneys tried 114 cases with 862 hours of trial time for 1979. All litigation in the personnel and labor areas increased substantially this year and questions involving matters of ethics rose sharply due to the enactment of the Ethics in Government Act of 1978. Therefore, the Division took on the responsibility of reviewing the financial disclosure statements of IRS and Counsel officials required to file under that Act.

General Legal Cases Received



## General Litigation Cases Received

Types of Cases—Regions:	1978	1979
Bankruptcy Act Proceedings	2,194	2,104
Miscellaneous Insolvencies	70	70
Decedents' Estates	424	386
Suits to Collect Taxes	750	633
Section 2410 (28 U.S.C 2410):		
Interpleaders	274	302
Others	237	243
Injunctions	163	146
Disclosure and Testimony	609	461
Summons Cases	6,506	6,799
Erroneous Refund Suits	34	31
Miscellaneous Court Cases	1,025	1,357
Advisory Opinions	4,774	4,870
Tax Return Preparers:		
Advisory Opinions	8	12
Court Cases	1	7
<b>Total All Regions</b>	<b>17,069</b>	<b>17,421</b>
<b>National Office:</b>	<b>1978</b>	<b>1979</b>
Appeals	168	226
Advisory	392	324
Other Centralized Cases*	11	13
<b>Total National Office</b>	<b>*571</b>	<b>563</b>
<b>Total All Regions &amp; National Office</b>	<b>*17,640</b>	<b>17,984</b>

\* Includes Railroad Reorganizations and Actions for Injunctions and/or Declaratory Relief.

\* Revised, International Operations no longer handled in the National office.

## General Litigation

The General Litigation Division furnishes legal advice to the IRS in connection with the collection and internal assessment procedures relating to federal taxes and assists the Department of Justice in the prosecution and defense of suits to collect taxes, suits to recover erroneous refunds, proceedings under the Bankruptcy Act and other insolvencies, civil enforcement of summonses and injunctions and declaratory judgment actions. It furnishes legal services and informal advice to IRS district offices, and to the Assistant Commissioners for Compliance and for Taxpayer Service and Returns Processing.

On Nov. 6, 1978, the Bankruptcy Reform Act of 1978 was signed into law, effective Oct. 1, 1979. The Act is a comprehensive revision of bankruptcy law. Over the past four years personnel of the Division assisted in the development of this important legislation.

The Bankruptcy Act will have a profound impact upon the United States' priorities and right of collection of tax debts from the bankrupt taxpayer both in and outside bankruptcy. It will also cause substantial changes in the present collection procedures in bankruptcy proceedings.

## Interpretative

The Interpretative Division provides legal assistance to the Assistant Commissioner for Technical in the issuance of letter rulings to taxpayers, technical advice to IRS personnel and revenue rulings and revenue procedures to guide the general public. Interpretative also provides legal assistance to other divisions in the Chief Counsel's office in establishing litigating positions and in coordinating these positions with the ruling positions of the IRS except in cases involving employee plans, exempt organizations and certain general litigation matters.

## Legislation and Regulations

The Legislation and Regulations Division represents the Commissioner and the IRS in tax legislative matters, other than those relating to employee plans and exempt organizations. Division attorneys also provide the Treasury

## Receipt and Disposal of General Litigation Cases National and Regional

Status	Court	Non-Court	Total
Pending October 1, 1978	*10,115	*1,736	11,851
Received during year	12,317	5,667	17,984
Disposed of	11,991	5,731	17,722
Pending September 30, 1979	10,441	1,672	12,113

\* Revised, 18 cases transferred from Non-Court status to Court status.

Department's Assistant Secretary for Tax Policy with technical assistance in developing and drafting internal revenue legislation and furnish assistance to congressional staffs in drafting committee reports on tax legislation.

Legislation and Regulations Division attorneys draft proposed regulations, other than regulations that involve employee plans and exempt organizations and represent the IRS in negotiating and drafting tax treaties with foreign governments. Working closely with IRS officials, attorneys participate in preparing and reviewing tax forms and instructions, hold hearings on proposed regulations, evaluate suggestions by IRS personnel and others for regulatory changes, and review publications issued for the guidance of taxpayers and IRS officials.

During 1979 the Division developed regulations to implement the Tax Reform Act of 1976 and began to develop regulations to implement the Revenue Act of 1978, the Energy Tax Act of 1978 and the Foreign Earned Income Act of 1978. A substantial number of

these and other projects were published either as proposed, temporary or final regulations. These projects included regulations relating to the targeted jobs tax credit, residential energy credit, investment credits for regulated public utilities and movies, group term life insurance with permanent benefits, arbitrage bonds, definition of 'airport' in the municipal bond context and LIFO inventory conformity requirements. Other regulation projects concerned limitation of losses to amounts at risk, real estate investment trusts, foreign tax credit, exclusion and deduction for taxpayers living and working abroad, investments in U.S. property by controlled foreign corporations, original issue discount on short-term obligations and bad debts reserves for savings and loan associations filing consolidated returns. Also included are farm and real property valuation rules for estate tax, generation-skipping transfers, advance payments of earned income credit, exemption from excise tax for certain alcohol fuels, reporting on bearer certificates and combined annual wage withholding.

## Receipt and Disposal of Legislation and Regulations Division Cases

Type of Case	Pending 10/1/78	Received	Disposed	Pending 9/30/79
Legislation	94	73	112	55
Regulations	303	139	123	319
Miscellaneous	66	80	68	78
<b>Total</b>	<b>463</b>	<b>292</b>	<b>303</b>	<b>452</b>

### Tax Litigation

The Tax Litigation function provides legal services in connection with all actions brought in the United States Tax Court. Trial of Tax Court cases is generally the responsibility of attorneys in the field offices. Attorneys in the Tax Litigation function perform all legal services for the IRS in connection with suits brought by taxpayers in the United States District Courts and the Court of Claims for refund of taxes and for certain declaratory judgments. They determine the legal position of the IRS in such suits and make recommendations to the Department of Justice, which handles the trial of cases.

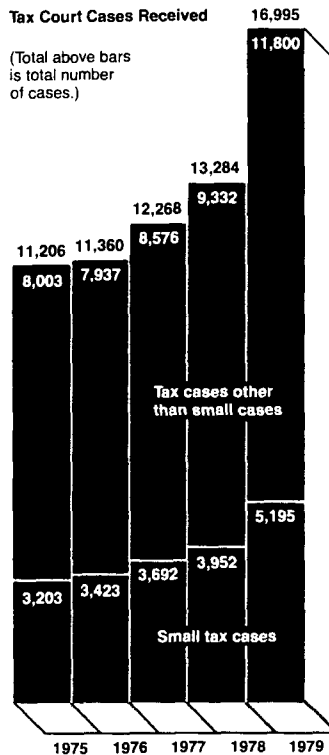
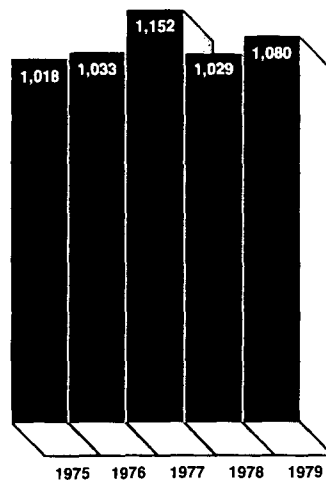
The Tax Litigation Division in the National Office determines and coordinates the legal po-

sition of the IRS to assure uniformity and consistency in all such cases in litigation. It also serves as legal advisor to the directors of the Appeals and Examination Divisions. The attorneys in the field offices serve as legal advisers to the Appeals offices, district directors, service center directors, and the Director of the Office of International Operations, and review certain categories of statutory notices of refund claim disallowances, notices of deficiency and determination letters in nondocketed cases.

### Tax Court Cases Received

(Total above bars is total number of cases.)

### Refund Litigation Cases Received



### Tax Litigation-Tax Court Cases

(In thousands of dollars)

Status	Number of Cases <sup>1</sup>	All Tax Court Cases <sup>2</sup>			Small Tax Cases			
		Taxes and Penalties	Overpayments		Taxes and Penalties	Overpayments		
		In Dispute	Determined	Claimed	In Dispute	Determined	Claimed	Determined
Pending 10/1/78	23,167	\$3,262,216		\$278,537	3,503	\$2,551		\$23
Received	16,995	1,037,187		11,357	5,195	4,969		52
Disposed <sup>3</sup>	12,844	591,920	\$207,678	16,674	4,248	2,970	\$1,624	53
Recovery Rate <sup>4</sup>			35.1%	\$7,976			54.7%	\$26
Pending 9/30/79	27,318	3,707,483		273,220	4,450	4,550		22

<sup>1</sup> Does not include an inventory of non-deficiency cases consisting of 46 cases pending 10/1/78, 65 receipts, 41 disposals, and 70 cases pending 09/30/79.

<sup>2</sup> Includes both small tax cases and other.

<sup>3</sup> Disposals include cases tried, settled, and dismissed. Some of the determined amounts are for cases which were subsequently appealed.

<sup>4</sup> Amount determined expressed as percentage of Amount Asserted or Claimed. These amounts do not include proposed assessments which are agreed to by the taxpayer at District or Appellate conferences. In the case of a claimed overpayment the Recovery Rates shown above represent the portion of the amount in dispute which was refunded to the taxpayer.

### Appellate Court Case Record

(Decisions-Refund Litigation and Tax Court Cases)

Court	Total	For the Government		Against the Government		Partly for and Partly Against the Government	
		No.	%	No.	%	No.	%
Courts of Appeals	189	144	76.2	34	18.0	11	5.8
Originally tried in Tax Court	<sup>1</sup> 113	94	83.2	10	8.8	9	8.0
District Courts	<sup>2</sup> 76	50	65.8	24	31.6	2	2.6
Supreme Court	3	2	66.7	1	33.3		

<sup>1</sup> Of the cases originally tried in Tax Court, the Courts of Appeals rendered 113 opinions in 158 dockets, including 120 dockets for the government, 15 dockets against the government, and 23 dockets partially for the government.

<sup>2</sup> Of the cases originally tried in District Courts, the Courts of Appeals rendered 76 opinions in 91 cases, including 59 cases for the government, 27 against the government, and 5 partially for the government.

### Trial Court Case Record

(Opinions Rendered-Refund Litigation and Tax Court Cases)<sup>1</sup>

Action	Tax Court <sup>2</sup>									
	Court of Claims		District Courts		Small Tax Cases		Other		Total	
	1978	1979 <sup>3</sup>	1978	1979 <sup>3</sup>	1978	1979 <sup>4</sup>	1978	1979 <sup>4</sup>	1978	1979
Decided in favor of Government	-Number 30	20	216	146	262	347	271	325	533	672
	-Percent 63.8%	50.0%	62.8%	60.3%	54.0%	55.2%	47.9%	49.8%	50.7%	52.5%
Decided in favor of Taxpayer	-Number 12	15	90	69	50	62	66	65	116	127
	-Percent 25.5%	37.5%	26.2%	28.5%	10.3%	9.9%	11.6%	10.0%	11.0%	9.9%
Decided partially for the Taxpayer and partially for the Government	-Number 5	5	38	27	173	219	229	262	402	481
	-Percent 10.6%	12.5%	11.1%	11.2%	35.7%	34.9%	40.5%	40.2%	38.3%	37.6%
Total Opinions	47	40	344	242	485	628	566	652	1,051	1,280

<sup>1</sup> Related Cases are reflected as one opinion.

<sup>2</sup> 40 opinions in Court of Claims involving 42 cases.

<sup>3</sup> 242 opinions in District Courts involving 266 cases.

<sup>4</sup> 628 Tax Court opinions involving 653 Small Tax Cases.

<sup>5</sup> 652 Tax Court opinions involving 837 cases other than Small Tax Court Cases.

<sup>6</sup> On cases for which decisions were entered during the fiscal year.

### Tax Litigation—Refund Suits<sup>1</sup>

(In thousands of dollars)

Status	District Courts			Court of Claims			Total		
	Number of Cases	Amount in Dispute <sup>2</sup>	Amount in Suit <sup>3</sup>	Number of Cases	Amount in Dispute <sup>2</sup>	Amount in Suit <sup>4</sup>	Number of Cases	Amount in Dispute <sup>2</sup>	Amount in Suit <sup>4</sup>
Pending 10/01/78	2,775	\$648,653		751	\$617,705		3,526	\$1,266,358	
Received	915	84,978		165	152,422		1,080	237,400	
Disposed <sup>5</sup>	758	226,735		123	21,905		881	250,640	
Amount in Suit <sup>6</sup>			\$214,856			\$18,842			\$233,698
Amount not Refunded <sup>3</sup>			196,851			9,956			206,807
% Not Refunded			91.6%			52.8%			88.5%
Pending 9/30/79	2,932	504,896		793	748,222		3,725	1,253,118	

<sup>1</sup> Cases in Courts of Appeal and the Supreme Court are included under the columns representing the court of origin.

<sup>2</sup> Dispositions include cases tried, settled, and dismissed.

<sup>3</sup> Amount in dispute includes claims for refund of taxes, penalties and interest, and counterclaim amounts.

<sup>4</sup> Amount of taxes, penalties and assessed interest sought as a refund.

<sup>5</sup> That portion of the amount sought as a refund, which was not refunded to the taxpayer.

## Contents

### Statistical Tables

Table 1. — Internal revenue collections by sources and by internal revenue regions, districts, states and other areas / 45

Table 2. — Internal revenue collections by source / 52

Table 3. — Internal revenue collections by principal sources, 1941 through 1979 / 54

Table 4. — Amount of internal revenue refunds including interest / 56

Table 5. — Number of internal revenue refunds issued / 57

Table 6. — Overassessments of tax as the result of examination / 57

Table 7. — Number of returns filed, by internal revenue regions, districts, states and other areas / 58

Table 8. — Returns filed, examination coverage and results (1979) / 60

Table 9. — Returns filed, examination coverage and results (1978) / 62

Table 10. — Number of returns examined by class of tax and by internal revenue regions, districts and other areas / 64

Table 11. — Additional tax and penalties recommended after examination by class of tax, and by internal revenue regions, districts and other areas / 65

Table 12. — Returns examined / 66

Table 13. — Results of collection activity / 66

Table 14. — Civil penalties assessed and abated / 67

Table 15. — Appeals Division receipts and dispositions of cases not before the Tax Court / 68

Table 16. — Appeals Division receipt and disposition of income, estate, and gift tax cases petitioned to the Tax Court / 68

Table 17. — EP/EO tax rulings and technical advice issued / 69

Table 18. — Determination letters issued on ERISA employee benefit plans / 69

Table 19. — Number of EO returns examined by type of exempt organization / 69

Table 20. — Number of active entities on exempt organizations master file / 70

Table 21. — Disposal of exempt organization applications / 70

Table 22. — Internal revenue collections, costs, employees, and U.S. population, 1950 through 1979 / 71

Table 23. — Costs incurred by IRS by activity / 71

Table 24. — Costs incurred by IRS by office / 72

Table 25. — Personnel summary / 73

**Chronological List** — Commissioners of Internal Revenue 1862-1979 and Acting Commissioners during transitory periods / 74

**Principal Officers** — of the Internal Revenue Service as of September 30, 1979 / 76

**Organization Chart** / 82

**Map** — of Internal Revenue Service regions, districts, and service centers / 83

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas (In thousands of dollars)

Internal revenue regions, districts, States and other areas (States represented by single districts indicated in parentheses, totals for other States shown at bottom of table)	Total internal revenue collections	Corporation income tax <sup>a</sup>	Individual income and employment taxes				
			Total	Income tax not withheld and SECA <sup>b,c</sup>	Income tax withheld and FICA <sup>b,c</sup>	Railroad retirement	Unemployment insurance <sup>d</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>United States, total</b>	<b>480,412,185</b>	<b>71,447,878</b>	<b>364,295,731</b>	<b>61,248,358</b>	<b>287,823,473</b>	<b>2,365,893</b>	<b>2,948,000</b>
<b>North-Atlantic Region</b>	<b>76,885,887</b>	<b>15,334,491</b>	<b>76,885,873</b>	<b>7,780,267</b>	<b>60,822,883</b>	<b>71,218</b>	<b>512,197</b>
Albany (See (c) below)	4,090,616	564,830	3,493,826	313,110	3,148,467	8,337	25,912
Augusta (Maine)	1,144,273	141,672	1,000,000	969,324	3,148,467	8,337	25,912
Boston (Massachusetts)	11,311,660	1,833,758	9,004,820	1,350,883	7,618,960	13,574	81,522
Brooklyn (See (c) below)	7,195,035	555,117	6,176,732	1,409,893	4,822,757	28,589	54,883
Buffalo (See (c) below)	7,047,046	1,313,333	5,437,441	758,003	4,630,167	479	48,792
Burlington (Vermont)	508,555	54,829	441,348	101,796	334,664	635	4,252
Hartford (Connecticut)	9,108,138	1,788,687	6,904,357	1,118,004	5,728,454	484	57,415
Manhattan (See (c) below)	33,487,702	8,483,122	23,869,980	2,129,284	21,532,695	7,547	200,454
Portsmouth (New Hampshire)	3,286,685	192,526	1,041,728	208,181	833,369	50	10,148
Providence (Rhode Island)	1,826,157	296,818	1,487,119	183,831	1,273,556	714	19,218
<b>Mid-Atlantic Region</b>	<b>84,879,786</b>	<b>8,464,361</b>	<b>82,706,871</b>	<b>7,548,880</b>	<b>63,988,175</b>	<b>792,352</b>	<b>403,684</b>
Baltimore (Maryland & D.C.)	12,111,071	1,510,482	10,560,465	1,444,940	9,185,422	269,504	58,039
Newark (New Jersey)	16,775,446	2,401,588	13,659,428	2,076,197	11,484,556	610	118,066
Philadelphia (See (c) below)	14,824,529	1,714,580	12,155,416	1,728,867	9,841,901	388,438	98,209
Pittsburgh (See (c) below)	10,324,276	1,240,730	8,541,396	959,249	7,478,909	33,181	59,108
Richmond (Virginia)	7,626,933	5,838,185	1,172,012	4,515,581	101,668	48,923	10,668
Wilmington (Delaware)	2,217,530	613,384	1,554,981	187,495	1,374,805	2	12,679
<b>Southeast Region</b>	<b>44,184,204</b>	<b>5,834,708</b>	<b>34,789,380</b>	<b>6,007,122</b>	<b>28,213,310</b>	<b>104,422</b>	<b>344,460</b>
Atlanta (Georgia)	7,314,748	1,009,949	5,725,285	957,521	4,705,439	3,589	58,736
Birmingham (Alabama)	4,130,524	482,560	3,465,952	688,818	2,741,416	2,814	34,902
Columbia (South Carolina)	3,030,662	398,833	2,560,693	489,686	2,042,505	536	27,863
Greensboro (North Carolina)	8,936,422	1,494,973	5,932,875	1,069,819	4,796,409	387	66,460
Jackson (Mississippi)	1,755,618	1,509,270	243,848	1,056,225	1,016	16,155	1,016
Jacksonville (Florida)	13,326,584	1,599,045	10,833,848	3,379,763	7,313,514	95,717	94,854
Nashville (Tennessee)	5,669,707	785,715	4,891,426	987,658	3,857,781	263	45,326
<b>Central Region</b>	<b>70,834,698</b>	<b>10,958,787</b>	<b>58,480,222</b>	<b>6,945,505</b>	<b>47,883,917</b>	<b>216,747</b>	<b>434,943</b>
Cincinnati (See (c) below)	11,300,710	2,153,764	8,710,584	1,062,556	7,481,851	89,080	77,696
Cleveland (See (c) below)	16,111,111	2,231,869	12,824,157	1,438,170	11,278,531	5,714	99,643
Detroit (Michigan)	26,684,078	4,712,810	20,815,212	3,994,842	16,823,952	34,046	182,332
Indianapolis (Indiana)	9,820,127	1,061,722	8,273,187	1,368,016	6,843,488	7,994	53,689
Louisville (Kentucky)	8,127,999	815,880	6,915,156	756,152	2,432,222	75,732	28,040
Parkersburg (West Virginia)	1,770,674	183,742	1,525,005	327,759	1,183,825	181	13,241
<b>Midwest Region</b>	<b>72,834,882</b>	<b>12,122,829</b>	<b>67,048,322</b>	<b>9,890,690</b>	<b>48,714,858</b>	<b>764,789</b>	<b>465,785</b>
Chicago (See (c) below)	28,175,561	5,150,687	21,608,111	2,832,274	18,347,354	244,482	184,001
Des Moines (Iowa)	4,081,369	582,182	3,353,635	1,031,058	2,295,642	961	25,984
Fargo (North Dakota)	761,019	58,291	673,487	222,652	450,835	10	5,189
Milwaukee (Wisconsin)	8,777,267	1,582,513	6,793,583	963,600	5,738,667	1,530	59,785
Omaha (Nebraska)	2,970,048	361,767	2,471,802	539,415	1,790,575	124,270	17,542
St. Louis (Missouri)	11,581,460	1,658,504	9,314,948	1,370,414	7,712,877	156,288	73,369
St. Paul (Minnesota)	10,353,662	1,773,825	8,261,279	998,789	6,966,102	232,607	62,322
Springfield (See (c) below)	5,257,330	898,710	3,990,841	926,544	3,026,374	5,198	32,724
<b>Southwest Region</b>	<b>84,845,344</b>	<b>8,144,448</b>	<b>43,499,574</b>	<b>8,223,079</b>	<b>33,894,289</b>	<b>232,468</b>	<b>349,738</b>
Albuquerque (New Mexico)	1,240,358	111,786	1,085,110	257,843	828,216	74	8,078
Austin (See (f) below)	18,176,745	2,882,404	13,805,049	2,580,897	11,074,378	44,873	105,303
Cheyenne (Wyoming)	640,595	64,452	528,556	181,425	342,914	1	4,216
Dallas (See (f) below)	11,685,743	2,028,931	8,949,911	2,212,561	6,942,182	13,943	61,094
Denver (Colorado)	6,730,541	511,222	5,911,436	853,395	4,999,834	23,019	35,188
Little Rock (Arkansas)	2,018,855	282,381	1,677,022	471,400	1,186,988	1,286	17,349
New Orleans (Louisiana)	5,486,733	777,406	4,565,063	1,045,002	3,472,761	1,712	37,577
Oklahoma City (Oklahoma)	5,029,767	868,943	3,742,180	831,224	2,877,555	219	33,061
Wichita (Kansas)	3,935,906	536,923	3,233,258	789,413	2,209,353	147,540	26,852
<b>Western Region</b>	<b>72,785,173</b>	<b>10,243,359</b>	<b>58,121,624</b>	<b>11,654,426</b>	<b>46,886,351</b>	<b>174,763</b>	<b>699,485</b>
Anchorage (Alaska)	796,222	44,035	737,293	118,234	614,433	847	4,625
Boise (Idaho)	1,312,977	154,326	1,137,424	212,953	912,377	847	11,248
Helena (Montana)	826,383	66,777	726,078	232,178	493,337	635	5,827
Honolulu (Hawaii)	1,455,226	189,747	1,221,240	239,031	972,212	9,997	9,997
Los Angeles (See (a) below)	28,142,781	4,438,815	22,415,410	4,368,465	17,848,418	898	197,628
Phoenix (Arizona)	3,261,982	369,716	2,816,586	618,422	2,171,187	468	26,909
Portland (Oregon)	4,883,870	807,356	3,868,784	702,010	3,039,675	2,823	34,276
Reno (Nevada)	1,471,345	176,563	1,254,126	314,888	927,356	2	11,880
Salt Lake City (Utah)	1,607,724	184,988	1,386,711	250,468	1,121,360	1,801	13,082
San Francisco (See (a) below)	21,415,322	2,865,834	17,191,014	3,122,017	13,766,002	186,447	134,548
Seattle (Washington)	7,629,350	535,093	6,366,857	1,286,156	5,029,995	882	49,846
Office of International Operations	2,127,891	180,462	1,726,858	388,348	1,337,452	4,811	16,847
Puerto Rico	682,166	15,624	451,108	24,148	411,725	8,111	15,237
Other <sup>13</sup>	1,445,735	144,838	1,275,548	344,200	925,727	810	810
<b>Unidentified:</b>							
Federal tax deposits <sup>a</sup>	193,017	38,731	198,040		265,381	295	-67,535
Gasoline, lubricating oil, and excess FICA credits <sup>12</sup>	766,144	44,778	721,365	721,365	-14,490		
Transferred to Government of Guam	-14,490				228,958		
Withheld taxes of Federal employees	228,958		228,958				
Cleaning account for Excise taxes-evolution fuel and oil-Air Force and Navy	15						
Presidential Election Fund <sup>14</sup>	35,934		35,934		35,934		
Earned Income Credits <sup>15</sup>	5,443		5,443		5,443		
Other <sup>13</sup>	-66,401		-61		-61		
<b>Totals for States not shown above</b>							
(a) California	49,558,113	7,304,649	39,606,424	7,490,483	31,514,420	169,345	332,176
(b) Illinois	33,432,890	6,049,397	25,598,952	7,049,818	17,373,728	249,680	216,725
(c) New York	11,800,399	51,800,399	38,977,978	3,410,090	33,992,086	45,652	329,851
(d) Ohio	27,411,821	4,385,632	21,534,742	2,498,726	18,760,481	98,794	178,740
(e) Pennsylvania	24,948,895	3,015,290	20,698,812	2,688,117	17,421,810	421,569	165,317
(f) Texas	28,962,488	5,011,334	22,754,959	4,763,379	17,716,587	58,616	186,397









**Table 2.—Internal revenue collections by source**  
(In thousands of dollars)

Sources of revenue	1978	1979
<b>Grand total, all sources</b>	<b>399,776,389</b>	<b>460,412,185</b>
Corporate income taxes, total <sup>1a</sup>	65,380,145	71,447,878
Regular	65,344,150	71,408,891
Exempt organization business income tax	35,996	38,985
Individual income and employment taxes, total	310,349,797	364,335,731
Income tax withheld and SECA <sup>1a,1b</sup>	253,617,181	297,823,479
Income tax withheld and FICA <sup>1a,1b</sup>	2,019,231	2,365,885
Railroad retirement, total <sup>1a</sup>	2,642,014	2,958,000
Unemployment insurance <sup>1a</sup>	5,242,080	5,344,178
Excise tax <sup>1a</sup>	18,884,949	17,428,999
GRT tax <sup>1a</sup>	18,884,949	18,049,504
<b>Excise taxes, total</b>	<b>5,812,715</b>	<b>5,847,824</b>
Alcohol taxes, total	3,999,566	3,945,034
Distilled spirits taxes, total	702,336	696,667
Imported (collected by Customs, rates same as domestic)	3,259,100	3,212,731
Domestic, \$10.50 per proof gallon or wine gallon when below proof <sup>1a</sup>	21,467	18,868
Rectification, 30 cents per proof gallon <sup>1a</sup>	106	141
Occupational taxes:		
Nonbeverage manufacturers of spirits, \$25, \$50, \$100, per year	5	4
Rectifiers:		
Less than 20,000 proof gallons, \$10 per year	21	90
20,000 proof gallons or more, \$220 per year	15,355	15,244
Retail dealer (distilled spirits, wines, and beer), \$54 per year	1,071	1,224
Wholesale dealer (distilled spirits, wines, and beer), \$255 per year	4	3
Manufacturers of stills, \$55 per year	1	1
Stills or condensers manufactured, \$22 each	99	62
Secures, penalties, etc.	189,638	194,289
Wines, cordials, etc., taxes, total	33,676	35,333
Imported (collected by Customs, rates same as domestic)	155,818	162,955
Domestic (Still-wines, 17 cents, 67 cents, \$2.25 per wine gallon; sparkling wines, \$3.40; artificially carbonated wines, \$2.40; liqueurs, cordials, \$1.82) <sup>1a</sup>	40	*
Occupational taxes:		
Retail dealers in wines or in wines and beer, \$54 per year	(*)	
Wholesale dealers in wines or in wines and beer, \$225 per year	1,423,614	1,504,601
Beer taxes, total	26,803	34,305
Imported (collected by Customs, rates same as domestic)	1,394,137	1,467,637
Domestic, \$9 per barrel of 31 gallons <sup>1a</sup>		
Occupational taxes:		
Brewers:		
Less than 500 barrels, \$55 per year	1	1
500 barrels or more, \$110 per year	13	10
Retail dealers in beer, \$24 per year (includes limited retail dealer in distilled spirits, wine and beer, \$2.20 and \$4.50 per month)	2,237	1,907
Wholesale dealers in beer, \$123 per year	624	541
<b>Tobacco taxes, total</b>	<b>2,450,913</b>	<b>2,485,517</b>
Cigarettes, total <sup>1a</sup>	2,404,425	2,454,829
Small (Class A), \$4 per thousand	2,408,415	2,454,811
Large (Class B), \$8.40 per thousand, except if over 6 1/2 inches long \$4 per thousand for each 2 3/4 inches or fraction thereof	10	17
Prepayments	*	*
Cigars, total <sup>1a</sup>	38,090	36,225
Large cigars, total	35,794	35,080
Wholesale price not more than \$235.294 per thousand, 8 1/2 percent	33,676	31,609
Wholesale price more than \$235.294 per thousand, \$20 per thousand	3,118	3,480
Small cigars, 75 cents per thousand	1,225	1,112
Prepayments	30	23
Imported cigars, cigarettes, cigarette papers and cigarette tubes (collected by Customs, rates same as domestic)	3,147	3,006
Miscellaneous tobacco	*	*
Cigarette papers and tubes, paper one-half cent per 50, tubes 1 cent per 50	1,291	1,457

**Table 2.—Continued**  
(In thousands of dollars)

Sources of revenue	1978	1979
<b>Excise taxes—Continued</b>		
Manufacturer's excise taxes, total	6,555,681	7,857,619
Gasoline, 4 cents per gallon	4,444,484	4,525,085
Lubricating oil, etc., 6 cents per gallon	105,227	108,547
Tires (wholly or in part of rubber), inner tubes, and tread rubber:		
Tires, Highway type, 10 cents per pound, other, 5 cents per pound except laminated tires (other than type used on highway vehicles), 1 cent per pound	788,707	820,522
Inner tubes, 10 cents per pound	33,251	35,720
Tread rubber, 5 cents per pound	24,354	22,941
Motor vehicles, chassis, bodies, parts, and accessories:		
Passenger automobiles, chassis, bodies, etc., 7 percent <sup>1a</sup>	77	38
Trucks and buses, chassis, bodies, etc., 10 percent <sup>1a</sup>	617,228	965,436
Parts and accessories for trucks and buses, 8 percent	181,474	223,721
Pistols and revolvers, 10 percent	15,223	17,537
Fishing rods, creels, etc., 10 percent	23,351	30,418
Bows and arrows, 11 percent	6,794	5,039
Firearms (other than pistols and revolvers), 11 percent	34,499	43,184
Shells and cartridges, 11 percent	23,543	28,214
Black Lung <sup>1a</sup>	52,484	232,056
Other <sup>1a</sup>	4	*
<b>Retailer's excise taxes, total</b>	<b>523,677</b>	<b>553,391</b>
Noncommercial aviation gasoline, 3 cents per gallon	10,954	10,720
Noncommercial aviation fuel other than gasoline, 7 cents per gallon	31,289	35,820
Diesel and special motor fuels, 4 cents per gallon (in some instances 2 cents per gallon)	481,427	506,651
Other <sup>1a</sup>	8	*
<b>Miscellaneous excise taxes, total</b>	<b>3,325,780</b>	<b>3,223,033</b>
Telephone and teletypewriter exchange services, 3 percent <sup>1a</sup>	1,656,736	1,362,183
Transportation of persons by air, 8 percent	1,110,513	1,272,003
Transportation of property by air, 5 percent	64,011	79,009
Use of international air-travel facilities, \$3 per person	70,488	74,644
Coin-operated gaming devices, \$250 per device per year <sup>1a</sup>	1,300	4,867
Wagering taxes:		
Occupational tax, \$500 per year	1,048	908
Wagers, 2 percent of amount wagered	6,537	9,124
Use tax on highway vehicles weighing over 26,000 pounds, \$3 per 1,000 pounds per year (installment privilege permitted)	237,803	251,793
Use tax on civil aircraft, \$25 per year with an additional 2 cents per pound on non-turbine engine powered over 2,500 pounds or 3 1/2 cents per pound on turbine engine powered	22,609	27,741
Firearms transfer and occupational taxes <sup>1a</sup>	704	728
Foreign insurance, 1 cent or 4 cents per dollar of premium	51,909	69,261
Exempt organizations, total	92,419	88,567
Net investment income, 2 percent <sup>1a</sup>	83,950	65,217
Self-dealing, 5 percent on self-dealer, lesser of \$10,000 or 2 1/2 percent on foundation manager	8,110	234
Excess business holdings, 5 percent on foundation	*	24
Taxable expenditures, 10 percent on foundation, lesser of \$5,000 or 2 1/2 percent on foundation manager	79	130
Failure to timely file certain information returns, \$10 per day up to a maximum of \$5,000	1,014	1,633
Failure to distribute income, 15 percent of undistributed income	1,265	1,306
Investments which jeopardize charitable purpose, 5 percent on foundation, lesser of \$5,000 or 5 percent on foundation manager	2	3
Employee pension plans, total	2,990	2,050
Excess contributions to an IRA, 6 percent of excess amount	2,409	990
Tax on underdistributions from an IRA, 50 percent of underdistribution	46	118
Prohibited transactions, 5 percent of prohibited transaction	298	278
Tax on excess contributions to an IRA-10 Plan, 6 percent of excess amount	18	18
Failure to meet funding standards, 5 percent of funding deficiency	157	201
Tax on excess contributions to custodial account, 6 percent of excess amount	61	51
Failure to file registration statement, \$1 per day up to \$5,000	-	3
Failure to file notification of change, \$1,000 per day up to \$5,000	-	25
Failure to file statement required by section 6047 or 6058, \$10 per day up to \$5,000	1	306
Failure to provide IRA reports, \$10 each failure	-	*
Black Lung benefit trusts	-	10
Excess contributions, 5 percent of excess amount	-	10
Taxes on lobbying expenditures, 25 percent of taxable lobbying expenditures	-	11
Other <sup>1a</sup>	713	125
<b>Unclassified excise taxes</b>	<b>196,182</b>	<b>72,128</b>







Table 8.—Returns filed, examination coverage and results (1979)

	Returns Examined					
	Returns Filed	Revenue Agents	Tax Auditors	Service Centers	Total	Percent Coverage
Individual, Total	47,338,811	288,788	1,356,811	199,907	1,844,888	2.11%
Form 1040-Standard <sup>1</sup>	28,749,451	8,538	171,701	11,747	191,986	.87
NB under \$10,000-itemized <sup>2</sup>	10,147,045	20,045	205,051	28,490	253,586	2.50
NB \$10,000 Under \$15,000	12,627,936	17,119	210,829	56,637	284,585	2.25
NB \$15,000 Under \$50,000	24,227,838	54,560	561,713	87,751	704,024	2.91
NB \$50,000 and over	966,659	60,208	40,247	1,534	101,989	10.55
B Under \$10,000 <sup>3</sup>	4,043,815	33,604	95,323	3,790	132,617	3.28
B \$10,000 under \$30,000	5,132,040	35,258	50,117	7,558	92,933	1.81
B \$30,000 and over	1,443,728	59,536	21,330	2,400	83,266	5.77
Fiduciary	1,744,478	10,186	84		10,170	.58
Partnership	1,186,188	30,328	148		30,474	2.55
Corporation, Total	1,820,871	142,890	47		142,937	7.84
Assets not reported	123,526	8,273	7		8,280	6.70
Under \$100,000 <sup>4</sup>	959,614	40,156	22		40,178	4.19
\$100,000 under \$1 Mil	674,357	53,507	13		53,520	7.94
\$1 Mil Under \$10 Mil	133,719	28,625	4		28,629	21.41
\$10 Mil Under \$100 Mil	24,421	8,373	-		8,373	34.29
\$100 Mil and over	4,734	3,956	1		3,957	83.59
Small Business Corp.	444,880	11,513	10		11,523	2.58
Form 1120 Disc	7,776	1,433	2		1,435	18.45
Estate, Total	158,045	27,040	2,182		29,222	18.50
Gross Estate Under \$300,000	122,330	10,867	1,874		12,741	10.42
Gross Estate \$300,000 and over	35,715	16,173	318		16,491	46.17
GIT	194,848	10,682	1,041		11,723	6.02
Income, Estate and Gift Total	93,004,175	522,758	1,359,815	199,907	2,082,480	2.24
Exclue	881,654	71,745	10,339		82,104	9.31
Employment	25,692,993	84,799	24,220		109,019	.43
Service Center Corrections			496,434		496,434	

<sup>1</sup> Includes Form 1040 with standard deductions and Forms 1040A.<sup>2</sup> Nonbusiness returns.<sup>3</sup> Adjusted gross income.<sup>4</sup> Business returns.<sup>5</sup> Balance sheet assets.

Totals may not add due to rounding.

Table 8.—Continued (1979)

Recommended Additional Tax and Penalties <sup>1</sup> (in millions of dollars)				Average Tax and Penalty per Return			No Change Percent <sup>2</sup>		
Revenue Agents	Tax Auditors	Service Centers	Total	Revenue Agents	Tax Auditors	Service Centers	Revenue Agents	Tax Auditors	
\$1,344.3	\$342.2	\$35.1	\$1,821.5	\$4,855	\$400	\$176	12	24	Individual, Total
56.2	41.5	1.0	98.7	6,586	241	86	12	28	Form 1040-Standard
93.8	52.4	3.0	149.2	4,681	255	106	12	26	NB under \$10,000-itemized
75.1	62.1	7.2	144.4	4,385	294	127	11	22	NB \$10,000 Under \$15,000
115.4	225.1	19.3	359.9	2,116	401	220	10	23	NB \$15,000 Under \$50,000
373.2	32.2	.8	406.1	6,198	799	503	13	44	NB \$50,000 and over
121.2	68.5	.8	190.4	3,617	718	208	14	22	B Under \$10,000
95.5	34.3	1.7	131.6	2,710	685	225	11	19	B \$10,000 under \$30,000
413.7	26.2	1.2	441.2	6,950	1,227	516	11	27	B \$30,000 and over
104.8	-	-	104.8	10,375	81		34	22	Fiduciary
-	-	-	-	-	-	-	44	28	Partnership
4,137.3	-	-	4,137.3	28,954	688		25	40	Corporation, Total
80.4	-	-	80.4	9,721	1		31	29	Assets not reported
60.9	-	-	61.0	1,518	1,350		32	36	Under \$100,000
207.9	-	-	207.9	3,885	177		25	54	\$100,000 under \$1 Mil
393.0	-	-	393.0	13,729	-		19	50	\$1 Mil Under \$10 Mil
590.7	-	-	590.7	70,544	-		11	-	\$10 Mil Under \$100 Mil
2,804.4	-	-	2,804.4	708,893	339		4	-	\$100 Mil and over
28.0	-	-	28.0	2,430	-		39	80	Small Business Corp.
41.1	-	-	41.1	28,683	-		37	-	Form 1120 Disc
643.4	5.7	-	648.1	20,096	2,585		11	19	Estate, Total
96.6	4.5	-	103.1	9,070	2,424		13	18	Gross Estate Under \$300,000
444.6	1.1	-	445.9	27,504	3,538		10	22	Gross Estate \$300,000 and over
133.1	1.2	-	134.3	12,460	1,197		21	25	GIT
6,332.0	549.1	35.1	6,916.2	12,113	404	176	19	24	Income, Estate and Gift Total
67.8	1.6	-	69.4	887	151		22	14	Exclue
85.6	6.4	-	92.0	1,009	263		33	29	Employment
119.2		119.2		240			Service Center Corrections		

<sup>1</sup> The recommended additional tax and penalties for 1979 reflect the amounts recommended by examiners at the conclusion of the examination. The recommended amounts for 1978 are the amounts recommended after taxpayers' appeals of the examiners' recommendations in district conferences and prior to an appeal with the Appellate Division. For 1979 the Service established a one-level of appeal system and eliminated district conferences.<sup>2</sup> Service center no change rate by class is not available. No change resulted in 33 percent of service center examinations.



Table 9.—Returns filed, examination coverage and results (1978)

	Returns Filed	Returns Examined				
	CY 1977	Revenue Agents	Tax Auditors	Service Center	Total	Percent Coverage
Individual, Total	85,823,810	306,433	1,369,419	168,390	1,845,242	2.16
Form 1040-Standard <sup>1</sup>	27,901,848	7,882	171,303	6,959	186,144	.57
NB under \$10,000-itemized <sup>2,3</sup>	11,992,130	20,823	286,824	40,337	347,984	2.90
NB \$10,000 Under \$15,000	12,853,006	21,416	267,575	45,826	334,817	2.60
NB \$15,000 Under \$50,000	21,646,293	49,322	458,369	63,539	571,230	2.64
NB \$50,000 and over	799,885	59,493	22,875	1,047	83,215	10.40
B Under \$10,000 <sup>4</sup>	4,311,616	39,071	98,497	3,677	141,245	3.26
B \$10,000 under \$30,000	4,910,803	46,934	46,654	6,319	99,907	2.03
B \$30,000 and over	1,207,639	61,492	17,522	1,686	80,700	6.68
Fiduciary	1,675,691	11,490	43		11,542	.69
Partnership	1,138,283	27,579	349		27,928	2.44
Corporation, Total	1,839,364	147,273	87		147,360	8.01
Assets not reported	118,917	7,249	8		7,257	6.10
Under \$100,000 <sup>5</sup>	932,066	35,625	31		35,656	3.83
\$100,000 under \$1 Mil	642,425	59,466	19		59,485	9.26
\$1 Mil Under \$10 Mil	119,188	32,133	9		32,142	26.97
\$10 Mil Under \$100 Mil	22,592	9,521			9,521	42.14
\$100 Mil and over	4,176	3,279			3,279	78.52
Small Business Corp.	425,287	11,569	42		11,611	2.73
Form 1120 Disc	6,811	1,523			1,523	22.04
Estate, Total	222,342	29,902	3,514		33,416	15.03
Gross Estate Under \$300,000	193,438	14,266	3,124		17,390	8.99
Gross Estate \$300,000 and over	28,904	15,636	390		16,026	55.45
Gift	348,916	9,894	1,743		11,637	3.33
Income, Estate and Gift Total	91,280,306	545,662	1,375,077	169,390	2,090,129	2.29
Exclude	913,728	81,110	14,798		95,908	10.50
Employment	25,079,309	101,481	41,294		142,775	.57
Service Center Corrections				493,763	493,763	

<sup>1</sup> Includes Form 1040 with standard deductions and Forms 1040A.<sup>2</sup> Nonbusiness returns.<sup>3</sup> Adjusted gross income.<sup>4</sup> Business returns.<sup>5</sup> Balance sheet assets.

Totals may not add due to rounding.

Table 9.—Continued (1978)

Recommended Additional Tax and Penalties <sup>4</sup> (in millions of dollars)					Average Tax and Penalty per Return			No Change Percent <sup>7</sup>		
Revenue Agents	Tax Auditors	Service Centers	Total		Revenue Agents	Tax Auditors	Service Centers	Revenue Agents	Tax Auditors	
\$1,194.4	\$440.8	25.7	1,660.9	3,888	\$22	152	13	28		Individual, Total
38.9	35.9	.7	75.4	4,931	209	100	12	32		Form 1040-Standard
94.6	58.8	3.8	157.2	4,542	205	95	12	28		NB under \$10,000-itemized
93.7	83.3	6.3	183.3	4,375	311	138	12	19		NB \$10,000 Under \$15,000
71.7	138.9	11.2	221.8	1,453	303	176	11	27		NB \$15,000 Under \$50,000
287.4	20.3	.6	308.2	4,830	893	570	15	35		NB \$50,000 and over
122.1	56.5	.8	179.4	3,125	574	218	15	25		B Under \$10,000
91.6	29.7	1.5	122.7	1,951	636	240	13	19		B \$10,000 under \$30,000
394.5	17.6	.7	412.8	6,418	1,003	432	14	27		B \$30,000 and over
44.9			44.9	3,805	335		34	26		Fiduciary
							55	35		Partnership
3,299.2			3,299.2	22,402	563		23	33		Corporation, Total
138.4			138.4	19,087	269		19	38		Assets not reported
47.4			47.4	1,331	605		31	35		Under \$100,000
200.0			200.0	3,363	700		24	37		\$100,000 under \$1 Mil
390.9			390.9	11,855	391		20	11		\$1 Mil Under \$10 Mil
457.8			457.8	48,078	-		12	-		\$10 Mil Under \$100 Mil
2,074.7			2,074.7	632,734	-		6	-		\$100 Mil and over
28.0			28.0	2,417	-		44	28		Small Business Corp.
2.9			2.9	1,902	-		45	-		Form 1120 Disc
628.7	5.6		632.1	20,958	1,552		12	19		Estate, Total
126.4	4.4		130.9	8,863	1,422		13	20		Gross Estate Under \$300,000
500.3	1.0		501.3	31,994	2,593		11	11		Gross Estate \$300,000 and over
77.1	1.8		78.7	7,802	912		23	31		Gift
5,273.1	447.9	25.7	5,746.7	9,664	326	152	19	26		Income, Estate and Gift Total
139.1	2.3		141.4	1,707	156		23	9		Excluse
231.1	16.8		247.9	2,277	401		12	9		Employment
124.4	124.4				252					Service Center Corrections

<sup>4</sup> The recommended additional tax and penalties for 1979 reflect the amounts recommended by examiners at the conclusion of the examination. The recommended amounts for 1978 are the amounts recommended after taxpayers' appeals of the examiners' recommendations in district conferences and prior to an appeal with the Appellate Division. For 1979 the Service established a one-level of appeal system and eliminated district conferences.<sup>7</sup> Service center no change percent by class is not available. No changes resulted in 31 percent of service center examinations.



Table 12.—Returns examined

Income, Estate and Gift	1978	1979
Number of returns examined by Examination Division	2,328,812	2,273,603
Returns with adjustments proposed by Examination Division	1,780,029	1,727,042
Returns without adjustments proposed by Examination Division	548,783	546,561
Disposition of Examined Returns:	2,328,812	2,273,603
Agreed, Paid or Defaulted	2,185,343	2,093,912
Transferred to Regional Appeals Office	47,767	**93,796
Petitioned Statutory Notices	14,884	16,854
Other *	80,818	68,839

\*Includes Quick Assessments and Cases Transferred to Justice Department.

\*\*Increase in the number transferred to Regional Appeals Offices was due, in part, to the establishment of a one level of appeals system on October 1, 1979.

Table 13.—Results of collection activity

	1978	1979
<b>Taxpayer Delinquent Accounts:</b>		
Opening Inventory	843,668	886,154
Issuances	2,054,999	2,335,368
Dispositions	2,012,513	2,149,188
Closing Inventory:		
(a) Number of accounts	886,154	1,072,334
(b) Balance of assessed tax, penalty and interest	2,356,216,794	2,912,774,109
<b>Delinquent Return Investigations:</b>		
Opening Inventory	358,997	412,199
Issuances	1,459,807	1,312,016
Dispositions	1,406,605	1,276,411
Closing Inventory	412,199	445,804
<b>Miscellaneous Investigations Closed</b>	<b>183,107</b>	<b>161,306</b>
<b>Others In Compromise Processed</b>	<b>2,335</b>	<b>2,016</b>
<b>Enforcement Activity:</b>		
Notices of Federal Tax Lien Filed	348,480	371,357
Notices of Levy Served Upon Third Parties	444,912	465,059
Seizures of Property Made	5,104	5,723

Table 14.—Civil penalties assessed and abated  
(In thousands of dollars)

	Assessments		Abatements		Net Penalties	
	Number	Amount	Number	Amount	Number	Amount
<b>Individual</b>						
Delinquency	946,219	165,925	113,409	30,010	832,810	135,914
Estimated Tax	3,644,879	233,134	180,123	20,189	3,464,756	212,936
Failure to Pay	4,706,781	114,244	488,510	11,212	4,218,271	103,032
Bad Check	110,356	934	2,580	144	107,776	791
Fraud	6,818	28,086	317	2,525	6,501	25,562
Negligence	63,341	10,410	1,482	1,117	61,859	9,293
Other *	7,509	557	386	26	7,123	530
<b>Totals</b>	<b>9,506,003</b>	<b>553,290</b>	<b>704,797</b>	<b>65,232</b>	<b>8,799,206</b>	<b>488,058</b>
<b>Corporation †</b>						
Delinquency	109,224	85,552	18,939	69,285	89,285	30,244
Estimated Tax	168,965	67,687	15,430	38,578	153,535	29,111
Failure to Pay	170,044	51,624	42,335	30,075	127,709	20,949
Federal Tax Deposits	56	21	3	1	53	20
Bad Check	1,987	63	112	13	1,875	50
Fraud	467	10,307	43	976	424	9,331
Negligence	3,123	3,759	85	114	3,038	3,645
Miscellaneous	138	428	2	62	136	366
<b>Totals</b>	<b>454,004</b>	<b>216,442</b>	<b>78,249</b>	<b>125,124</b>	<b>375,755</b>	<b>93,717</b>
<b>Employment ‡</b>						
Delinquency	2,248,474	228,390	151,606	38,930	2,096,868	189,460
Miscellaneous	575	152	621	57	54	95
Failure to Pay	2,495,266	67,164	375,157	14,732	2,120,109	52,432
Federal Tax Deposits	2,620,306	348,788	209,991	67,661	2,410,317	281,129
Bad Check	120,771	1,065	2,034	58	118,737	1,007
Fraud	1,847	2,898	102	157	1,745	2,741
Other *	295	32	11	3	284	29
<b>Totals</b>	<b>7,487,936</b>	<b>649,091</b>	<b>739,522</b>	<b>121,598</b>	<b>6,748,414</b>	<b>527,482</b>
<b>Excise †</b>						
Delinquency	604,119	14,775	19,715	2,571	584,404	12,204
Daily Delinquency	16,273	36,987	12,043	28,456	4,230	8,531
Failure to Pay	727,751	5,569	37,903	1,598	689,848	3,971
Federal Tax Deposits	37,110	5,149	4,037	1,869	33,073	3,280
Bad Check	3,468	24	125	1	3,343	23
Fraud	225	1,005	25	98	200	907
Other *	76	44	-	-	76	44
<b>Totals</b>	<b>1,590,022</b>	<b>63,553</b>	<b>73,848</b>	<b>34,593</b>	<b>1,516,174</b>	<b>29,060</b>
<b>Estate and Gift</b>						
Delinquency	799,330	38,961	5,373	21,449	793,957	17,532
Miscellaneous	12	9	4	3	8	6
Failure to Pay	788,972	15,607	10,004	6,231	778,968	7,376
Bad Check	347	43	68	25	279	18
Fraud	5	36	1	2	4	34
Negligence	39	19	2	2	37	17
Other *	1	1	-	-	1	1
<b>Totals</b>	<b>1,588,706</b>	<b>54,688</b>	<b>16,452</b>	<b>29,712</b>	<b>1,572,254</b>	<b>24,964</b>
<b>Tax Return Preparer's Penalty †</b>						
Failure to Sign and Failure to Provide Tax Identification Numbers	22,768	5,453	19,768	2,169	3,000	3,286
<b>All Other *</b>						
Delinquency	38,710	17,491	8,872	4,219	29,838	13,272
Failure to Pay	52,896	2,153	16,954	1,078	35,942	1,075
Bad Check	541	8	54	5	487	3
Fraud	-	-	-	-	-	-
Negligence	44	9	2	1	42	7
Miscellaneous	6	2	1	1	5	2
<b>Totals</b>	<b>92,197</b>	<b>19,683</b>	<b>25,843</b>	<b>5,303</b>	<b>66,354</b>	<b>14,361</b>
<b>Total All Civil Penalties</b>	<b>26,760,336</b>	<b>1,564,547</b>	<b>1,719,519</b>	<b>383,731</b>	<b>19,030,817</b>	<b>1,180,858</b>

Notes: Amounts may not add due to rounding. With the exception of ES, penalties can apply to any tax year. Abatements can apply to any tax year.

† Includes Taxpayer Identification Number, Failure to Report Tips, Miscellaneous.

‡ Includes Forms 1120, 990C, 990T.

§ Includes Forms 940, 941, 942, 943, CT-1.

¶ Includes Negligence and Miscellaneous.

‡ Includes Forms 1041A, 5227, 990PF, 4720, 990, 4638, 2290, 11, 11B, 11C, 720 and 730.

¶ Includes Negligence and Miscellaneous.

\* Less than \$500.

¶ Period covered is January 1, 1979 through September 30, 1979. These penalties are from processing of individual returns only and do not reflect other penalties assessable under the Tax Reform Act of 1976, Code Sections 6694 and 6695.

† Includes Forms 1041, 1065, and Individual Retirement Account File.

**Table 15.—Appeals Division receipts and dispositions of cases not before the Tax Court (nondocketed)**

A. Progress of work			
Status	Amount stated in revenue agent's report (in thousand of dollars)		
	Number of Cases <sup>1</sup>	Deficiency and penalty (2)	Over assessment (3)
	(1)	(2)	(3)
Pending October 1 .....	120,696	4,929,645	117,065
Received .....	38,405	3,382,210	115,907
Disposed of, total .....	33,905	2,449,095	64,011
By agreement .....	27,643	1,900,124	60,606
Unagreed (Overassessments, claims, excise, employment and other in-compromise rejections) .....	2,438	70,201	3,373
By taxpayer default on statutory notice .....	1,128	51,084	32
Petition filed-transferred to Counsel .....	2,696	427,696	-
Pending September 30 .....	25,198	5,862,150	168,881

B. Results obtained in dispositions			
Status	Appeals determination (in thousand of dollars)		
	Number of Cases	Deficiency and penalty (2)	Over assessment (3)
	(1)	(2)	(3)
Disposed of, total .....	33,905	1,161,977	148,880
By agreement .....	27,643	649,943	144,794
Unagreed (Overassessments, claims, excise, employment and other in-compromise rejections) .....	2,438	42,694	1,792
By taxpayer default on statutory notice .....	1,128	41,654	294
Petition filed-transferred to Counsel .....	2,696	427,696	-

<sup>1</sup> A case represents taxpayers grouped together by tax periods with common or related issues that may be heard and disposed of together.

<sup>2</sup> The number of cases pending on Oct. 1, 1978, 20,718 in the 1978 report, has been restated to include the inventory of district conference cases and to reflect the redefinition of a case as in footnote 1.

**Table 16.—Appeals Division receipt and disposition of income, estate, and gift tax cases petitioned to the Tax Court (docketed)**

A. Progress of work			
Status	Amount stated in statutory notice (in thousand of dollars)		
	Number of Cases <sup>1</sup>	Deficiency and penalty (2)	Over assessment (3)
	(1)	(2)	(3)
Pending October 1 .....	11,988	2,059,352	92,758
Received .....	10,440	943,878	6,825
Disposed of, total .....	12,630	1,656,665	83,897
By stipulated agreement .....	5,786	328,515	510
By dismissal or default .....	751	4,970	2
By transfer to Counsel .....	6,093	1,323,170	83,897
Pending September 30 .....	9,796	1,348,574	15,686

B. Results obtained in dispositions			
Method	Appeals determination (in thousand of dollars)		
	Number of Cases <sup>1</sup>	Deficiency and penalty (2)	Over assessment (3)
	(1)	(2)	(3)
Disposed of, total .....	12,630	86,158	51,704
By stipulated agreement .....	5,786	85,331	4,240
By dismissal or default .....	751	927	5
By transfer to Counsel .....	6,093	-	47,459

<sup>1</sup> A case represents taxpayers grouped together by tax periods with common or related issues that may be heard and disposed of together.

**Table 17.—EP/EO tax rulings and technical advice issued**

Subject	Total	Taxpayers' Requests	Field Requests
Total .....	10,411	9,781	719
Acquirial Matters .....	2,203	2,184	19
Exempt Organizations .....	3,910	3,624	286
Employee Plans .....	4,298	3,893	405

**Table 18.—Determination letters issued on ERISA employee benefit plans**

Letters issued	Stock Bonus	Money Purchase	Profit Sharing	TRASOP	Bond Purchase	Total Defined Contribution	Defined Benefit	Total
Initial Qualifications:								
Qualified .....	623	18,000	27,516	309	73	48,521	10,081	62,602
Participating Employees .....	507,450	160,782	402,968	236,491	93	1,307,704	1,196,079	2,503,803
Not Qualified .....	3	8	11	-	-	22	7	29
Amendments:								
Qualified .....	503	14,008	23,056	134	163	37,864	26,292	66,156
Not Qualified .....	-	7	16	-	-	23	16	39
Terminations:								
Qualified .....	41	2,764	5,798	-	-	8,603	3,806	12,409
Not Qualified .....	-	5	14	-	-	19	9	28

**Table 19.—Number of EO returns examined by type of exempt organization**

			FY 1979
501(c)(3) .....	Private Foundation .....		3,595
501(c)(3) .....	Non-Exempt Charitable Trust .....		246
501(c)(3) .....	All Others .....		8,338
501(c)(4) .....	Civic Leagues, Social Welfare .....		2,333
501(c)(5) .....	Labor, Agriculture, Horticulture .....		779
501(c)(6) .....	Business Leagues .....		1,833
501(c)(7) .....	Social and Recreational Clubs .....		1,609
501 .....	All Others .....		3,033
521 .....	Farmers' Cooperative .....		505
Total .....			22,371

**Table 20.—Number of active entities on exempt organizations master file (Individual and group)**

IRC Section (501(c))	1978	1979
(1) Corporations Organized Under Act of Congress	25	110
(2) Trustholding Corp.	5,272	5,324
(3) Religious, Charitable, etc.	293,947	304,315
(4) Social Welfare	125,317	127,254
(5) Labor, Agriculture Organizations	67,531	65,479
(6) Business Leagues	45,325	45,940
(7) Social and Recreation Clubs	49,964	50,577
(8) Fraternal Beneficiary Societies	140,963	137,417
(9) Voluntary Employees' Beneficiary Societies	6,827	7,122
(10) Domestic Fraternal Beneficiary Societies	12,199	16,525
(11) Teachers Retirement Fund	11	10
(12) Benevolent Life Insurance Assn.	4,862	4,891
(13) Cemetery Companies	5,529	5,752
(14) Credit Unions	5,118	5,149
(15) Mutual Insurance Companies	1,408	1,312
(16) Corp. to Finance Crop Operation	29	26
(17) Supplemental Unemployment Benefit Trusts	807	794
(18) Employee Funded Pension Trust	4	3
(19) War Veterans' Org.	21,233	22,210
(20) Legal Service Organizations	4	11
(21) Apostolic and Religious Org.	67	3
(22) Farmers' Cooperatives	3,606	3,312
<b>Total</b>	<b>810,048</b>	<b>824,538</b>

**Table 21.—Disposal of exempt organization applications**

IRC Section 501(c)	Applications for Determination			Total
	Approved	Denied	Other <sup>1</sup>	
(1) Corporations Organized Under Act of Congress	1	-	1	2
(2) Trustholding Corp.	184	14	96	294
(3) Religious, Charitable, etc.	24,892	1,805	7,338	34,035
(4) Social Welfare	2,584	123	994	3,681
(5) Labor, Agriculture Org.	521	18	103	642
(6) Business Leagues	1,756	117	377	2,250
(7) Social and Recreation Clubs	1,402	127	798	2,297
(8) Fraternal Beneficiary Societies	37	10	26	73
(9) Voluntary Empl. Beneficiary Societies	535	5	49	589
(10) Domestic Fraternal Societies	41	9	62	112
(11) Teachers' Retirement Fund	-	-	-	-
(12) Benevolent Life Insurance Assn.	128	19	107	254
(13) Cemetery Companies	255	4	39	298
(14) Credit Unions	51	-	3	54
(15) Mutual Ins. Companies	14	1	4	19
(16) Corp. to Finance Crop Oper.	-	-	-	-
(17) Supplemental Unemployment Benefit Trusts	36	1	1	38
(18) Employee Funded Pension Trust	-	-	-	-
(19) War Veterans' Org.	91	1	18	110
(20) Legal Service Org.	11	-	2	13
(21) Black Lung Trust	1	-	-	1
(22) Apostolic and Religious Org.	-	-	-	-
(23) Coop. Service Org. of Operating Educational Org.	-	-	-	-
(24) Farmers' Cooperatives	97	3	27	127
National Office Rulings and Determination Letters	2,695	279	650	3,624
<b>Grand Total</b>	<b>35,342</b>	<b>2,539</b>	<b>10,637</b>	<b>48,515</b>

<sup>1</sup> Applications withdrawn by taxpayer, incomplete applications, etc.

**Table 22.—Internal revenue collections, costs, employees, and U.S. population, 1950 through 1979**

Fiscal year	Operating cost (1)	Collections (2)	Cost of collecting \$100 (3)	Population (Thousands) (4)	Tax per capita (5)	Average positions realized		
						Total (6)	National Office (7)	Field (8)
1950	230,408,200	38,957,131,768	0.59	152,271	256.84	55,551	4,303	51,248
1951	245,869,538	50,445,686,315	0.49	154,878	325.71	55,905	4,208	51,597
1952	271,872,192	65,009,585,580	0.42	157,553	412.82	56,309	3,953	52,356
1953	268,590,806	69,686,535,389	0.38	160,184	435.00	53,463	3,834	49,629
1954	269,969,107	69,919,990,791	0.38	163,026	428.69	51,411	2,707	48,704
1955	278,834,278	66,288,692,000	0.42	165,931	399.50	50,890	2,675	48,215
1956	299,894,710	75,112,648,000	0.40	168,903	444.71	50,602	2,583	48,019
1957	326,537,814	80,171,917,000	0.38	171,984	469.18	51,364	2,532	48,832
1958	337,428,789	79,978,476,484	0.42	174,882	457.33	50,816	2,909	47,907
1959	355,469,228	79,797,972,906	0.44	177,830	448.73	51,226	2,969	48,257
1960	363,735,359	91,774,802,823	0.40	180,671	507.96	51,047	2,910	48,137
1961	413,295,238	94,401,086,396	0.44	183,691	513.91	53,209	3,042	50,164
1962	450,980,420	99,440,835,245	0.45	186,538	533.09	59,481	3,401	55,080
1963	500,804,314	105,925,395,281	0.47	189,242	559.74	59,711	3,557	56,054
1964	549,692,131	112,260,257,115	0.49	191,889	585.03	61,059	3,839	57,220
1965	597,387,471	114,434,833,721	0.52	194,303	588.95	62,098	3,881	58,217
1966	624,861,929	128,879,961,342	0.48	196,560	655.66	63,508	3,982	59,526
1967	657,080,235	148,374,614,552	0.45	198,712	749.66	65,948	3,994	62,052
1968	699,190,304	153,363,837,665	0.46	200,706	765.48	67,574	3,987	63,587
1969	758,785,475	187,919,559,668	0.40	202,677	927.19	66,064	3,862	62,202
1970	886,159,162	195,722,096,497	0.45	204,878	955.31	68,683	4,103	64,580
1971	981,065,297	191,647,198,138	0.51	207,053	925.63	68,972	4,358	64,614
1972	1,127,390,411	209,852,736,678	0.54	208,646	1,004.83	69,549	4,134	65,415
1973	1,162,009,945	237,787,204,058	0.49	210,410	1,130.11	74,170	4,505	69,665
1974	1,312,894,661	268,952,253,663	0.49	211,901	1,269.24	78,921	4,310	74,611
1975	1,584,711,486	293,822,725,772	0.54	213,559	1,375.84	82,339	4,531	77,808
1976	1,667,311,689	302,518,791,922	0.56	215,142	1,406.14	84,294	4,732	79,532
1977	1,790,588,738	358,139,416,730	0.50	217,329	1,647.91	83,743	4,994	78,749
1978	1,962,129,287	399,770,389,382	0.49	219,033	1,828.67	85,229	4,919	80,310
1979	2,116,166,276	460,412,185,013	0.46	220,999	2,083.32	86,630	5,003	81,627

\*This figure represents actual IRS operating costs from FY 1975, exclusive of reimbursements received from other agencies for services performed. While the operating costs figures for fiscal years prior to 1975 may in some cases include reimbursements, those amounts are sufficiently small so as not to alter the cost figures in column 3.

Economic Stabilization Program average positions included in 1972, 1973, and 1974.

Federal Energy Program average positions included in 1974.

1972 adjusted by 3,990 average positions to reflect the AT&F transfer—July 1973. AT&F included in years 1948–71.

Eleven average positions transferred to office of the Secretary in 1965. Twenty average positions transferred to office of the Secretary in 1963.

**Table 23.—Costs Incurred by Internal Revenue Service by Activity (In thousands of dollars)**

Appropriation by Activity	Total		Personnel Compensation and Benefits		Other	
	1978	1979	1978	1979	1978	1979
<b>Total obligations, appropriations and reimbursements</b>	<b>1,974,856</b>	<b>2,153,271</b>	<b>1,645,735</b>	<b>1,843,877</b>	<b>429,121</b>	<b>479,394</b>
Obligations against appropriated funds	1,962,129	2,116,166	1,535,528	1,638,231	429,121	477,935
<b>Salaries and Expenses:</b>						
Total	124,915	138,186	106,144	115,758	18,772	22,428
Executive Director	13,220	14,424	10,164	10,479	3,056	3,945
Internal Audit and Security	29,014	31,189	24,405	25,842	4,609	5,327
Management Services	17,657	20,398	16,216	18,591	2,441	4,477
Legal Services	45,082	49,721	40,504	44,576	4,578	5,145
Technical Rulings and Services	19,943	22,504	17,855	19,870	2,088	3,534
<b>Taxpayer Service and Returns Processing:</b>						
Total	969,290	792,945	455,235	487,862	214,055	244,963
Data Processing Operations	493,580	521,557	368,038	382,005	124,722	129,332
Statistical Reporting	13,824	13,396	10,625	11,239	3,199	2,157
Taxpayer Service	161,906	197,612	75,772	84,136	86,134	113,474
<b>Examinations and Appeals:</b>						
Total	726,182	770,063	607,454	643,383	118,728	126,709
Examinations	675,253	719,568	560,877	588,002	114,376	120,636
Appeals	50,929	50,525	46,577	44,453	4,352	6,072
<b>Investigations and Collection:</b>						
Total	441,731	474,942	384,694	391,108	77,037	83,838
Tax Fraud Investigations	121,182	130,185	98,831	108,179	22,351	24,006
Collection	258,302	280,613	212,759	230,620	45,543	49,793
Employee Plans and Exempt Organization	62,247	64,144	53,104	54,107	9,143	10,037
<b>Reimbursable obligations, Total</b>	<b>13,727</b>	<b>7,105</b>	<b>10,207</b>	<b>5,846</b>	<b>2,520</b>	<b>1,489</b>

**Table 24.—Costs Incurred by IRS by office**  
(In thousands of dollars)

Internal revenue office, district or region	Total	Personal Compensation	Travel	Equipment	Other
(1)	(2)	(3)	(4)	(5)	
<b>A. National Office and regional totals (including district director's offices and service centers)</b>					
Total Internal Revenue Service	2,123,271	1,843,878	57,998	22,733	268,865
National Office	419,479	326,328	4,347	11,188	277,616
North-Atlantic	290,508	266,629	5,199	1,390	17,391
Mid-Atlantic	196,215	176,875	4,440	1,429	11,571
Southwest	221,512	194,897	8,103	1,345	17,227
Central	173,942	154,610	6,295	833	12,205
Midwest	201,416	181,543	7,040	1,157	11,675
Southwest	198,198	174,382	5,582	1,612	13,533
Western	307,209	272,522	9,543	2,460	22,685
Regional Council	32,495	30,182	384	509	1,441
Regional Inspection	24,830	22,053	1,852	174	721
Office of International Operations	16,611	13,169	2,018	25	1,398
National Computer Center	14,522	7,300	54	189	6,969
IRS Data Center	26,170	21,628	107	352	4,083
<b>B. Regional commissioner's offices (excluding district director's offices and service centers)</b>					
North-Atlantic	17,527	15,845	335	254	1,093
Mid-Atlantic	13,400	11,735	267	354	1,044
Southwest	12,361	10,048	813	32	1,409
Central	11,626	10,359	347	72	848
Midwest	12,593	10,413	774	233	1,173
Southwest	12,142	10,719	511	280	852
Western	19,224	15,340	957	619	2,289
<b>C. District director's offices and service centers:</b>					
<b>North-Atlantic:</b>					
Albany	8,510	7,549	326	39	496
Augusta	4,533	4,035	267	7	224
Boston	32,302	29,808	851	202	1,432
Brooklyn	32,787	31,072	479	188	1,049
Buttalo	19,258	17,515	861	56	1,025
Burlington	2,508	2,213	149	6	140
Hartford	16,757	15,426	574	102	655
Manhattan	64,014	61,078	781	292	1,863
Portsmouth	3,920	3,581	149	17	174
Providence	5,610	5,159	175	13	262
North-Atlantic Region Centralized Training	228	-	227	116	4,326
Andover Service Center	38,834	34,276	116	99	4,652
Brookhaven Service Center	43,820	36,971	99	98	4,652
<b>Mid-Atlantic:</b>					
Baltimore	26,870	24,955	654	227	1,033
Newark	41,922	39,100	1,127	235	1,461
Philadelphia	32,784	30,859	684	280	1,161
Pittsburgh	17,312	15,839	469	117	788
Richmond	17,996	15,868	656	91	1,179
Wilmington	3,825	3,506	113	43	162
Mid-Atlantic Form Distribution Center	626	494	2	2	129
Mid-Atlantic Region Centralized Training	168	-	167	1	1
Philadelphia Service Center	41,311	36,419	99	80	4,713
<b>Southwest:</b>					
Atlanta	25,802	22,848	1,251	145	1,558
Birmingham	11,790	10,591	638	50	511
Columbia	8,267	7,432	453	49	333
Greensboro	19,987	16,980	1,082	83	842
Jackson	7,773	6,840	572	43	319
Jacksonville	44,479	39,749	2,062	306	2,361
Nashville	15,315	13,838	806	101	770
Southwest Region Centralized Training	204	-	197	-	7
Atlanta Service Center	39,984	34,730	93	282	4,878
Memphis Service Center	36,809	32,041	137	192	4,240
<b>Central:</b>					
Cincinnati	19,757	17,788	826	114	1,029
Cleveland	27,273	24,479	1,063	116	1,615
Detroit	38,140	34,529	1,557	95	1,559
Indianapolis	19,015	16,807	990	101	1,116
Louisville	12,329	10,912	721	72	624
Petersburg	6,929	5,957	452	83	417
Central Region Centralized Training	178	-	178	-	-
Cincinnati Service Center	38,716	33,479	160	179	4,997

**Table 24.—Continued**  
(In thousands of dollars)

Internal revenue office, district, or region	Total	Personal Compensation	Travel	Equipment	Other
(1)	(2)	(3)	(4)	(5)	
<b>Midwest:</b>					
Aberdeen	3,086	2,702	233	7	144
Chicago	48,614	45,435	1,205	160	1,814
Des Moines	11,554	10,354	625	67	498
Fargo	2,785	2,408	212	9	156
Milwaukee	15,806	14,443	628	117	619
Omaha	7,559	6,878	488	8	395
St. Louis	24,834	22,705	1,027	125	978
St. Paul	19,669	18,040	882	160	788
Springfield	12,529	11,150	659	57	662
Midwest Region Centralized Training	169	-	168	-	1
Kansas City Service Center	41,998	37,207	119	214	4,458
<b>Southwest:</b>					
Albuquerque	5,115	4,525	327	40	223
Austin	38,440	31,985	2,107	234	2,114
Cheyenne	2,584	2,139	277	31	137
Dallas	33,855	30,115	1,813	225	1,903
Denver	14,589	12,860	729	132	869
Little Rock	8,411	7,323	524	45	519
New Orleans	15,894	14,095	919	132	748
Oklahoma City	14,120	12,607	710	225	877
Wichita	10,878	9,791	537	80	471
Southwest Region Centralized Training	278	-	217	-	59
Austin Service Center	43,894	38,302	112	268	5,212
<b>Western:</b>					
Anchorage	5,322	4,474	423	30	395
Boise	4,682	4,059	226	45	263
Helena	3,975	3,455	309	50	180
Honolulu	5,787	5,240	282	32	252
Los Angeles	72,181	66,110	2,418	412	3,254
Phoenix	11,073	9,972	498	106	497
Portland	11,915	10,486	531	63	835
Reno	7,431	6,727	330	46	329
Salt Lake City	5,439	4,939	254	17	229
San Francisco	47,474	42,907	1,699	312	2,556
Seattle	16,359	15,460	858	94	848
Western Region Centralized Training	319	-	285	-	34
Ogden Service Center	43,501	37,722	193	391	5,195
Fresno Service Center	50,498	44,631	173	244	5,450

Note: Reimbursements are included in the above figures.

**Table 25.—Personnel summary**

Location and type	Average positions realized		Number employees at close of year	
	1976	1979	1976	1979
Service total	88,258	87,002	81,505	85,388
Permanent	71,444	71,487	70,942	71,771
Temporary	14,814	15,535	10,563	13,617
National Office <sup>1</sup>	4,873	5,038	4,082	4,883
Regional Offices <sup>1</sup>	81,385	81,967	76,913	80,706
Data Processing Operations	27,989	27,799	24,301	25,498
Collection	10,412	10,118	10,289	10,027
Revenue Officers	5,924	5,767	5,784	5,788
Other	4,458	4,348	4,475	4,241
Taxpayer Service	4,313	4,762	3,711	4,688
Taxpayer Service Specialists	624	633	651	686
Taxpayer Service Representatives	1,081	1,084	1,081	1,081
Other	2,808	3,065	1,983	2,841
Examination	26,254	22,844	26,427	23,448
Revenue Agents	13,927	13,715	13,959	13,987
Office Auditors	4,617	4,462	4,725	4,823
Other	7,710	4,767	7,743	4,638
Employee Plans/Unemployment Insurance	1,858	1,863	1,887	1,847
EP/EO Technicals	1,383	1,315	1,259	1,207
Other	593	248	628	250
Appeals	1,183	1,481	1,207	1,708
Appeals Officers	565	731	558	856
Auditors	116	114	113	121
Other	512	616	536	731
Tax Fraud	3,911	3,836	3,914	3,857
Special Agents	2,779	2,786	2,784	2,790
Other	1,132	1,050	1,150	1,037
Administration Management	3,974	3,495	3,288	3,008
Centralized Services	1,038	1,140	1,103	1,158
Regional Council	967	857	918	900

Note: Reimbursements are included in above figures.

<sup>1</sup> Includes terminal leave for average positions realized for entire Service.

<sup>2</sup> Includes Office of International Operations, National Computer Center and the Data Center.

**Commissioners  
of Internal  
Revenue  
1862-1979  
and Acting  
Commissioners  
during  
transitory  
periods.**

**George S. Boutwell**  
Massachusetts  
July 17, 1862/Mar. 4, 1863

**Joseph J. Lewis**  
Pennsylvania  
Mar. 18, 1863/June 30, 1865

**William Orton**  
New York  
July 1, 1865/Oct. 31, 1865

**Edward A. Rollins**  
New Hampshire  
Nov. 1, 1865/Mar. 10, 1869

**Columbus Delano**  
Ohio  
Mar. 11, 1869/Oct. 31, 1870

**Alfred Pleasonton**  
New York  
Jan. 3, 1871/Aug. 8, 1871

**John W. Douglass**  
Pennsylvania  
Aug. 9, 1871/May 14, 1875

**Daniel D. Pratt**  
Indiana  
May 15, 1875/July 31, 1876

**Green B. Raum**  
Illinois  
Aug. 2, 1876/Apr. 30, 1883

**Walter Evans**  
Kentucky  
May 21, 1883/Mar. 19, 1885

**Joseph S. Miller**  
West Virginia  
March 20, 1885/Mar. 20, 1889

**John W. Mason**  
West Virginia  
Mar. 21, 1889/Apr. 18, 1893

**Joseph S. Miller**  
West Virginia  
Apr. 19, 1893/Nov. 26, 1896

**W. St. John Forman**  
Illinois  
Nov. 27, 1896/Dec. 31, 1897

**Nathan B. Scott**  
West Virginia  
Jan. 1, 1898/Feb. 28, 1899

**George W. Wilson**  
Ohio  
Mar. 1, 1899/Nov. 27, 1900

**John W. Yerkes**  
Kentucky  
Dec. 20, 1900/Apr. 30, 1907

**John G. Capers**  
South Carolina  
June 5, 1907/Aug. 31, 1909

**Royal E. Cabell**  
Virginia  
Sept. 1, 1909/Apr. 27, 1913

**William H. Osborn**  
North Carolina  
Apr. 28, 1913/Sept. 25, 1917

**Daniel C. Roper**  
South Carolina  
Sept. 26, 1917/Mar. 31, 1920

**William M. Williams**  
Alabama  
Apr. 1, 1920/Apr. 11, 1921

**David H. Blair**  
North Carolina  
May 27, 1921/May 31, 1929

**Robert H. Lucas**  
Kentucky  
June 1, 1929/Aug. 15, 1930

**David Burnet**  
Ohio  
Aug. 20, 1930/May 15, 1933

**Guy T. Helevering**  
Kansas  
June 6, 1933/Oct. 8, 1943

**Robert E. Hannegan**  
Missouri  
Oct. 9, 1943/Jan. 22, 1944

**Joseph D. Nunan, Jr.**  
New York  
Mar. 1, 1944/June 30, 1947

**George J. Schoeneman**  
Rhode Island  
July 1, 1947/July 31, 1951

**John B. Dunlap**  
Texas  
Aug. 1, 1951/Nov. 18, 1952

**T. Coleman Andrews**  
Virginia  
Feb. 4, 1953/Oct. 31, 1955

**Russell C. Harrington**  
Rhode Island  
Dec. 5, 1955/Sept. 30, 1958

**Dana Latham**  
California  
Nov. 5, 1958/Jan. 20, 1961

**Mortimer M. Caplin**  
Virginia  
Feb. 7, 1961/July 10, 1964

**Sheldon S. Cohen**  
Maryland  
Jan. 25, 1965/Jan. 20, 1969

**Randolph W. Thrower**  
Georgia  
Apr. 1, 1969/June 22, 1971

**Johnnie M. Walters**  
South Carolina  
Aug. 6, 1971/Apr. 30, 1973

**Donald C. Alexander**  
Ohio  
May 25, 1973/Feb. 26, 1977

**Jerome Kurtz**  
Pennsylvania  
May 5, 1977

Office of Commissioner of Internal Revenue  
Created by Act of Congress, July 1, 1862

In addition, the following were Acting  
Commissioners during periods of time when  
there was no Commissioner holding the  
office:

Joseph J. Lewis of Pennsylvania  
from Mar. 5 to Mar. 17, 1863

John W. Douglas of Pennsylvania  
from Nov. 1, 1870 to Jan. 2, 1871

Henry C. Rogers of Pennsylvania  
from May 1 to May 10, 1883, and from  
May 1 to June 4, 1907

John J. Knox of Minnesota  
from May 11 to May 20, 1883

Robert Williams, Jr. of Ohio  
from Nov. 28 to Dec. 19, 1900

Millard F. West of Kentucky  
from Apr. 12 to May 26, 1921

H. F. Mires of Washington  
from Aug. 16 to Aug. 19, 1930

Pressly R. Baldrige of Iowa  
from May 16 to June 5, 1933

Harold N. Graves of Illinois  
from Jan. 23 to Feb. 29, 1944

John S. Graham of North Carolina  
from Nov. 19, 1952 to Jan. 19, 1953

Justin F. Winkle of New York  
from Jan. 20 to Feb. 3, 1953

O. Gordon Delk of Virginia  
from Nov. 1 to Dec. 4, 1955, and from  
Oct. 1 to Nov. 4, 1958

Charles I. Fox of Utah  
from Jan. 21 to Feb. 6, 1961

Bertrand M. Harding of Texas  
from July 11, 1964 to Jan. 24, 1965

William H. Smith of Virginia  
from Jan. 21 to Mar. 31, 1969

Harold T. Swartz of Indiana  
from June 23 to Aug. 5, 1971

Raymond F. Harless of California  
from May 1 to May 25, 1973

William E. Williams of Illinois  
from Feb. 27 to May 4, 1977.

# Principal Officers of the Internal Revenue Service as of September 30, 1979

## National Office Commissioner

Jerome Kurtz

**Deputy Commissioner**  
William E. Williams

**Assistant to the Commissioner**  
Marvin Katz  
Lauralee Matthews  
David F. P. O'Connor

**Assistant to the Commissioner**  
(Public Affairs)  
A. James Golato

**Assistant to the Commissioner**  
(Equal Opportunity)  
Eugene D. Alexander

**Assistant to the Deputy Commissioner**  
Alvin H. Kolak

## Taxpayer Service and Returns Processing

**Assistant Commissioner**  
James I. Owens

**Deputy Assistant Commissioner**  
M. Eddie Heironimus

**Division Directors:**  
Program Planning and Review  
Suellen P. Hamby  
Returns Processing & Accounting  
Russell E. Dyke  
Taxpayer Service  
Stanley Goldberg  
Disclosure Operations  
Howard T. Martin  
Tax Administration Advisory Services  
Gordon C. Hill, Jr.

## Resources Management

**Assistant Commissioner**  
Joseph T. Davis

**Deputy Assistant Commissioner**  
Alan A. Beck

## Division Directors:

Facilities Management  
Richard E. Simko  
Fiscal Management  
Joseph F. Kump  
Personnel  
Anthony W. D'Amato  
Training and Development  
Orion L. Birdsall  
Security Standards and Evaluations  
Dominick J. Lantonio  
National Office Resources Management  
Herbert J. Huff

## Compliance

**Assistant Commissioner**  
S. B. Wolfe

**Deputy Assistant Commissioner**  
Donald E. Berghern

## Division Directors:

Appeals  
Roydell S. Rosted  
Examination  
John L. Wedick, Jr.  
Criminal Investigation  
Thomas J. Clancy  
Office of International Operations  
Joseph G. McGowan  
Collection  
Kenneth E. Luke

## Data Services

**Assistant Commissioner**  
Donald J. Porter

## Division Directors:

Data Center, Detroit, MI  
James E. Daly, Jr.  
National Computer Center,  
Martinsburg, WV  
William E. Palmer  
Service & Design  
Daniel N. Capozzoli  
Systems Analysis  
Donald E. Curtis  
Systems Programming  
Carolyn Buttolph

## Employee Plans/Exempt Organizations

**Assistant Commissioner**  
S. Allen Winborne

**Deputy Assistant Commissioner**  
Raymond A. Spillman

## Division directors:

Actuarial  
Ira Cohen  
Employee Plans  
Fred J. Ochs  
Exempt Organizations  
Joseph A. Tedesco

## Inspection

**Assistant Commissioner**  
Robert L. Rebein

**Deputy Assistant Commissioner**  
Teddy R. Kern

## Division Directors:

Internal Audit  
Rudolph Arena  
Internal Security  
William E. Mulroy

## Planning and Research

**Assistant Commissioner**  
Russell E. Dyke

**Deputy Assistant Commissioner**  
Walter E. Bergman

## Division Directors:

Internal Management Documents  
Jack G. Petrie  
Legislative Analysis  
Rondal C. Blankenship  
Research and Operations Analysis  
Walter E. Bergman  
Statistics  
Vito Natrella

## Technical

**Assistant Commissioner**  
Gerald G. Portney (Acting)

**Deputy Assistant Commissioner**  
Aaron Feibel

## Division Directors:

Corporation Tax  
John W. Holt  
Individual Tax  
Mario E. Lombardo  
Tax Forms and Publications  
Roy J. Linger

## Office of Chief Counsel

**Chief Counsel**  
Lester Stein (Acting)

**Deputy Chief Counsel (General)**  
Stephen M. Miller

**Deputy Chief Counsel (Litigation)**  
Vacant

**Deputy Chief Counsel (Technical)**  
Lester Stein

**Technical Advisor to Chief Counsel**  
Daniel F. Folzenlogen

**Staff Assistant to Chief Counsel**  
James T. Fuller, III

## Division Directors:

Administrative Services  
Joseph H. Hairston  
Criminal Tax  
Robert W. Schafer  
Disclosure Litigation  
James J. Keightley  
Employee Plans & Exempt Organizations  
George H. Jelly  
General Legal Services  
George J. Shaw, Jr.  
General Litigation  
Harold T. Flanagan  
Interpretative  
Jerome D. Sebastian  
Legislation and Regulations  
Robert A. Bley  
Tax Litigation  
John H. Menzel (Acting)



**Regional  
and  
District  
Officers**

**Central Region**

**Regional Commissioner**  
Leon C. Green

**Assistant Regional Commissioners:**

Taxpayer Service & Returns  
Processing  
Patrick J. Ruttle  
Resources Management  
Billy J. Brown  
Examination  
Jack P. Chivatero  
Criminal Investigation  
Richard C. Herman  
Collection  
Charles F. Jones

**District Directors:**

Cincinnati, OH  
Dwight L. James, Jr.  
Cleveland, OH  
Everett Lowry  
Detroit, MI  
Roger L. Plate  
Indianapolis, IN  
James W. Caldwell  
Louisville, KY  
Paul F. Niederecker  
Parkersburg, WV  
T. Blair Evans

**Director, Cincinnati Service Center**

John O. Hummel

**Regional Counsel**

Vernon J. Owens

**Regional Director of Appeals**

Claude C. Rogers, Jr.

**Regional Inspector**

John E. McManus

**Mid-Atlantic Region**

**Regional Commissioner**  
William D. Waters

**Assistant Regional Commissioners:**

Taxpayer Service & Returns  
Processing  
Henry E. Leech, Jr.  
Resources Management  
Americo P. Attorri  
Examination  
Paul H. Thornton  
Criminal Investigation  
Robert L. Browne  
Collection  
Leroy C. Gay

**District Directors:**

Baltimore, MD  
Gerald G. Portney  
Newark, NJ  
Cornelius J. Coleman  
Philadelphia, PA  
James T. Rideoutte  
Pittsburgh, PA  
Thomas L. Davis  
Richmond, VA  
James P. Boyle  
Wilmington, DE  
F. Clare Shy

**Director, Philadelphia Service Center**

Norman E. Morrill

**Regional Counsel**

Robert L. Liken

**Regional Director of Appeals**

James J. Casimir

**Regional Inspector**

Benjamin J. Redmond

**Midwest Region**

**Regional Commissioner**  
Edwin P. Trainor

**Assistant Regional Commissioners:**

Taxpayer Service & Returns  
Processing  
John Ader  
Resources Management  
David S. Burckman  
Compliance  
Leon Moore

**District Directors:**

Aberdeen, SD  
Thomas J. Yates  
Chicago, IL  
Charles F. Miriani  
Des Moines, IA  
Michael J. Murphy  
 Fargo, ND  
Gerard R. Esposito  
Milwaukee, WI  
Lawrence M. Phillips  
Omaha, NB  
Mitchell E. Premis, Jr.  
Springfield, IL  
Ira S. Loeb  
St. Louis, MO  
Richard C. Voskuil  
St. Paul, MN  
C. Dudley Switzer

**Director, Kansas City Service Center**

Roy D. Clark

**Regional Counsel**

Dennis J. Fox

**Regional Director of Appeals**

Donato Cantalupo

**Regional Inspector**

John J. Kelly

**North-Atlantic Region**

**Regional Commissioner**  
Philip E. Coates

**Assistant Regional Commissioners:**

Taxpayer Service & Returns Processing  
Gary H. Matthews  
Resources Management  
Pete J. Medina  
Examination  
Joseph Slipowitz  
Criminal Investigation  
Raymond C. Turner  
Collection  
Thomas P. Coleman

**District Directors:**

Albany, NY  
John B. Langer  
Augusta, ME  
John J. Jennings  
Boston, MA  
Herbert B. Mosher  
Brooklyn, NY  
George S. Alberts  
Buffalo, NY  
Marshall P. Cappelli  
Burlington, VT  
Peter L. Dillon  
Hartford, CT  
James G. Quinn  
Manhattan, NY  
Charles H. Brennan  
Portsmouth, NH  
Francis S. Miceli  
Providence, RI  
Charles E. Roddy

**Director, Andover, Service Center**

Joseph H. Cloonan

**Director, Brookhaven Service Center**

Thomas J. Laycock

**Regional Counsel**

Theodore E. Davis

**Regional Director of Appeals**

Richard E. Fogwell

**Regional Inspector**

Daniel Schiller

**Southeast Region****Regional Commissioner**

Harold A. McGuffin

**Assistant Regional Commissioners:**

Taxpayer Service & Returns  
Processing  
William B. Hartlage  
Resources Management  
Carol M. Fay  
Examination  
Philip J. Sullivan  
Criminal Investigation  
Anthony V. Langone  
Collection  
Claude A. Kyle

**District Directors:**

Atlanta, GA  
John W. Henderson  
Birmingham, AL  
Dwight T. Baptist  
Columbia, SC  
Harold Bindseil  
Greensboro, NC  
Robert A. LeBaube  
Jackson, MS  
William Daniel  
Jacksonville, FL  
Charles O. DeWitt  
Nashville, TN  
James A. O'Hara

**Director, Atlanta Service Center**

William E. Douglas

**Director, Memphis Service Center**

James D. Hallman

**Regional Counsel**

Jack D. Yarbrough

**Regional Director of Appeals**

Tully Miller

**Regional Inspector**

Dale W. Gardner

**Southwest Region****Regional Commissioner**

Walter T. Coppinger

**Assistant Regional Commissioners:**

Taxpayer Service & Returns  
Processing  
Bobby G. Hughes  
Resources Management  
Raymond Astumian  
Examination  
Percy P. Woodward, Jr.  
Criminal Investigation  
John M. Rankin, Jr.  
Collection  
Larry G. Westfall

**District Directors:**

Albuquerque, NM  
Francis L. Browitt  
Austin, TX  
Robert M. McKeever  
Cheyenne, WY  
Michael J. Kelly  
Dallas, TX  
Alden W. McCanless  
Denver, CO  
Gerald L. Mhlbachler  
Little Rock, AR  
Paul D. Williams  
New Orleans, LA  
Robert M. Cutts  
Oklahoma City, OK  
Charles A. Parks  
Wichita, KS  
Maurice E. Johnson

**Director, Austin Service Center**

Carolyn K. Leonard

**Regional Counsel**

William B. Riley

**Regional Director of Appeals**

Douglas M. Moore

**Regional Inspector**

Paul F. Kearns

**Western Region****Regional Commissioner**

Thomas A. Cardoza

**Assistant Regional Commissioners:**

Taxpayer Service & Returns  
Processing  
John D. Johnson  
Resources Management  
Kenneth G. Rivett  
Examination  
Elmer Kletke  
Criminal Investigation  
Richard C. Wassenaar  
Collection  
Paul R. Dickey

**District Directors:**

Anchorage, AK  
Frank R. Berria  
Boise, ID  
Philip N. Sansotta  
Helena, MT  
Frederick C. Nielsen  
Honolulu, HI  
William M. Wolf  
Los Angeles, CA  
William H. Connett  
Phoenix, AZ  
Prescott A. Berry  
Portland, OR  
Ralph B. Short  
Reno, NV  
Gerald F. Swanson  
Salt Lake City, UT  
Roland V. Wise  
San Francisco, CA  
Michael D. Sassi  
Seattle, WA  
Arturo A. Jacobs

**Director, Fresno Service Center**  
Frederic F. Perdue

**Director, Ogden Service Center**  
Robert H. Terry

**Regional Counsel**  
Emory L. Langdon

**Regional Director of Appeals**  
Ralph F. Albrecht

**Regional Inspector**  
Billy G. Morrison

**Department of the Treasury**

**Commissioner**  
Deputy Commissioner

**Assistant to the Commissioner**  
Public Affairs Division

**Assistant to the Commissioner**  
(Equal Opportunity)

**Chief Counsel**

**Deputy Chief Counsel**  
(General)

**Divisions**  
Administrative Services  
Criminal Tax  
General Legal Services

**Deputy Chief Counsel**  
(Technical)

**Divisions**  
Legislation and Regulations  
Interpretative  
Employee Plans and Exempt Organizations

**Deputy Chief Counsel**  
(Litigation)

**Divisions**  
Tax Litigation  
General Litigation  
Disclosure Litigation

**Assistant Commissioner**  
(Taxpayer Service and Returns Processing)

**Divisions**  
Returns Processing and Accounting  
Taxpayer Service  
Disclosure Operations  
Tax Administration  
Advisory Services

**Assistant Commissioner**  
(Resource Management)

**Divisions**  
Facilities Management  
Plant Management  
Personnel  
Security Standards and Evaluation  
National Office  
Resource Management  
Training and Development

**Assistant Commissioner**  
(Compliance)

**Divisions**  
Appeals  
Examination  
Criminal Investigation  
Collection  
Office of International Operations

**Assistant Commissioner**  
(Data Services)

**Divisions**  
Systems Support  
Systems Design and Programming

National Computer Center  
Martinsburg, W. Va.

Data Center  
Detroit, Michigan

**Assistant Commissioner**  
(Employee Plans and Exempt Organizations)

**Divisions**  
Actuarial  
Employee Plans  
Exempt Organizations

**Assistant Commissioner**  
(Inspection)

**Divisions**  
Internal Audit  
Internal Security

**Assistant Commissioner**  
(Planning and Research)

**Divisions**  
Internal Management  
Documents  
Legislative Analysis  
Research and Operations Analysis  
Statistics

**Assistant Commissioner**  
(Technical)

**Divisions**  
Cooperation Tax  
Individual Tax  
Tax Forms and Publications

**National Office**

**Field Offices**

**Regional Commissioners**  
(7)

**Regional Inspectors**  
(7)

**Regional Counsel**  
(7)

**General Legal Services Function**

**Regional Director of Appeals**

**Assistant Regional Commissioners\***  
(Taxpayer Service and Returns Processing)  
(Resource Management)  
(Examination)  
(Criminal Investigation)  
(Collection)

**Service Centers**  
(10)

**Divisions**  
Compliance  
Resource Management  
Computer Services  
Processing  
Tax Accounts

**District Directors**  
(58)

**Divisions\*\***  
Resources Management  
Examination  
Collection  
Employee Plans and Exempt Organizations  
Criminal Investigation  
Taxpayer Service

**Assistant Regional Inspectors**  
Internal Audit  
Internal Security

**Deputy Regional Counsel**  
(21)  
Criminal Tax  
General Litigation  
Tax Litigation

**District Counsel**  
(45)

\* In Midwest Region, an Assistant Regional Commissioner (Compliance) replaces Assistant Regional Commissioners (Examination), (Criminal Investigation), and (Collection)

\*\* Divisions do not exist in every district.

**WESTERN REGION**

WA, MT, OR, ID, UT, AZ, NV, CA, WY, CO, NM, TX, HI

Seattle, Portland, Boise, Helena, Reno, Ogden, Salt Lake City, San Francisco, Fresno, Los Angeles, Phoenix, Albuquerque, Denver, Cheyenne, Austin, Dallas, New Orleans, Little Rock, Wichita, Oklahoma City, Fargo, Aberdeen, St. Paul, Milwaukee, Des Moines, Omaha, Kansas City, Springfield, St. Louis, Chicago, Indianapolis, Cincinnati, Louisville, Detroit, Cleveland, Martinsburg, Parkersburg, Charleston, Richmond, Philadelphia, New York City, Washington, D.C., Baltimore, Wilmington, Newark, Albany, Buffalo, Burlington, Portsmouth, Andover, Boston, Providence, Hartford, Augusta, ME.

**MIDWEST REGION**

ND, MN, WI, IA, MO, IL, NE, KS, OK, AR, LA

**CENTRAL REGION**

MI, IN, OH, WV, VA, NC, SC, GA, FL, TN, MS, AL

**NORTH-ATLANTIC REGION**

**MID-ATLANTIC REGION**

**SOUTHEAST REGION**

**Legend**

- Regional Boundary
- District Boundary
- Commissioner/National Office, Washington, D.C.
- Regional Commissioner/District Director
- District Director
- Service Center
- National Computer Center (Martinsburg, WV)

**Inset Maps:**

- Alaska (Anchorage)
- Hawaii (Honolulu)
- Puerto Rico
- Virgin Islands

**Office Locations:**

- NEW YORK CITY: Manhattan, Brooklyn, Bronx
- NATIONAL OFFICE: Washington, D.C.
- PHILADELPHIA
- NEWARK
- WILMINGTON
- BALTIMORE
- DE
- ATLANTA
- JACKSONVILLE
- JACKSON
- MEMPHIS
- NASHVILLE
- GREENSBORO
- COLUMBIA
- ATLANTA
- BIRMINGHAM
- AL
- MS
- GA
- FL
- LA
- AR
- OK
- TX
- OKLAHOMA CITY
- WICHITA
- DENVER
- CHEYENNE
- PHOENIX
- LOS ANGELES
- FRESNO
- SAN FRANCISCO
- SALT LAKE CITY
- OGDEN
- UT
- BOISE
- PORTLAND
- SEATTLE
- ALBANY
- BUFFALO
- BURLINGTON
- PORTSMOUTH
- ANDOVER
- BOSTON
- PROVIDENCE
- HARTFORD
- AUGUSTA

